

Enabling the capture and sharing of exceptional images

The Vitec Group plc
Annual Report & Accounts 2016



Capture the moment™



**VITEC
GROUP**

Capture the moment™

Capture. Share.

Vitec is a leading global provider of premium branded products and services to the fast changing and growing “image capture and sharing” market.

Vitec’s customers include broadcasters, independent content creators, photographers and enterprises, and our activities comprise:

- » Design, manufacture and distribution of high performance products and software including camera supports, wireless systems, robotic camera systems, prompters, LED lights, mobile power, monitors and bags.
- » Premium services including technical solutions, systems integration and equipment rental for TV production teams, film crews and enterprises.

We employ around 1,700 people across the world in ten different countries and are organised in two Divisions: Broadcast and Photographic.

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Financial Statements

Revenue	Adjusted operating profit*
£376.2m	£41.5m

* Before restructuring costs, charges associated with acquisition of businesses and impairment of goodwill, as described on page 03.

Chairman's Statement

John McDonough CBE reports on progress in 2016



Corporate Governance Report
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Dear Shareholders

I am pleased to report that Vitec delivered a good set of financial results for 2016. The business delivered a record performance with strong growth in revenue, profit* and cash. We achieved this growth by delivering our clear strategy, including: progress in our higher technology products; expanding into new growth markets; and increasing sales in APAC. We also benefited from favourable movements in foreign exchange and the Rio 2016 Olympics. Both our Broadcast and Photographic Divisions outperformed their respective markets. In addition, our disciplined approach to cost control and our focus on working capital further supported this performance.

These results clearly show that we are delivering on our strategy to transform Vitec by investing in new products and technologies in the fast growing and changing "image capture and sharing" market.

As a consequence, the Board recommends a final dividend of 17.3 pence per ordinary share (2015: 15.1 pence) and subject to approval by shareholders at the 2017 AGM will be paid on Friday, 19 May 2017.

In 2016, apart from ensuring delivery of a good financial performance, your Board focused on refining the Group's strategy for growth, involving detailed reviews of each business. This covered the market, products, emerging technologies, competition, risks, talent development, diversity and succession plans. Further detail on this is given in the Group Chief Executive's report and the Board will continue to measure progress in 2017. The Board believes that our clear and focused strategy, together with a highly motivated and talented management team, premium branded products and strong financial discipline, means that Vitec is well positioned to realise sustainable, long-term growth.

The Board also continued to set the right tone from the top for the Group, visiting several sites, meeting regularly with senior management and tracking progress against potential key risks and reputational issues. Our internal Board evaluation in 2016 robustly challenged all aspects of the Board including the performance of myself, each Director, Board Committees and the Board as a whole. I am pleased to report that your Board continues to function well and is very clear and focused on its priorities. A strong governance framework is essential to support the long-term sustainable growth of the business and the Governance Report sets out in detail how the Board embeds Vitec's culture and values in everything we do.

Paul Hayes, our Group Finance Director, will be leaving the Board in 2017 to take on a new executive role and we are actively searching for a replacement. We also announced the

appointment of Martin Green to the Board, as Group Business Development Director, on 4 January 2017. Martin has been with the Group since 2003 in a variety of executive roles and has been instrumental in focusing the Group on growth. On behalf of the Board, I would like to thank Paul for his contribution to Vitec over the last five years and wish him well for the future, and to welcome Martin to the Board.

The Board was sad to hear of the passing of Lino Manfrotto in February 2017. Lino founded the Manfrotto product range when he developed and launched its first tripod in 1974, in Bassano, Italy. The Manfrotto brand now has a global reputation in the photographic market for exceptional quality and Lino's legacy is reflected in the range of products sold bearing the Manfrotto name.

Our exceptional people were fundamental to the delivery of 2016's successful results. Highlights include the delivery of products and services around the 2016 Rio Olympics, the launch of award-winning new products and the successful integration of new businesses into the Group, notably Wooden Camera. On behalf of the Board, I would like to thank all of our people for living Vitec's values and going the "extra mile" during 2016.

John McDonough CBE
Chairman

20 February 2017

Key points

- » Strategic progress in higher technology products, new growth markets and APAC
- » Strong Group performance in revenue, adjusted profit* and EPS*, driven by:
 - Favourable benefit from foreign exchange
 - Higher revenue growth in the second half
- » Underlying sales and adjusted profit* growth, excluding anticipated lower performance of non-core Haigh-Farr business, and despite lower activity in US broadcast rentals
- » Significant reduction in working capital through management focus to produce strong free cash flow* of £44.6 million



Chief Executive's Review
Turn to page 06

2016 Financial highlights

Revenue	Adjusted operating profit*	Adjusted basic earnings per share*	Net debt
£376.2m	£41.5m	61.3p	£75.1m

	Revenue	Adjusted operating profit*	Adjusted basic earnings per share*	Net debt
16	£376.2m	£41.5m	61.3p	£75.1m
15	£317.8m	£35.4m	49.4p	£76.3m
14	£309.6m	£38.8m	55.9p	£70.9m
13	£315.4m	£39.5m	56.1p	£61.5m
12	£345.3m	£39.3m	55.8p	£63.7m

Broadcast Division

Revenue **£224.8m** Up 18.9%

Adjusted operating profit* **£21.0m** Up 3.4%

Adjusted operating margin* **9.3%** Down 140 bps

Photographic Division

Revenue **£151.4m** Up 17.5%

Adjusted operating profit* **£20.5m** Up 35.8%

Adjusted operating margin* **13.5%** Up 180 bps

Recommended final dividend per share

17.3 pence

Interim dividend per share

9.9 pence

Total dividend for 2016 Up 10.6%

27.2 pence

* Adjusted performance is before £5.2m of restructuring costs (2015: £4.9m); £9.7m charges associated with acquisition of businesses (2015: £8.1m); and £12.1m impairment of goodwill (2015: £nil).

* Free cash flow: cash generated from operations in the financial year after net capital expenditure, net interest and tax paid.



Vitec Group Overview

Group revenue

£376.2m

Group adjusted operating profit*

£41.5m

Vitec is a global group mainly serving customers in the broadcast and photographic markets.

We design, manufacture and distribute high quality, high performance, premium branded products and services that enable end users to capture and share exceptional images. Our products typically attach to, or support, a camera – primarily for broadcast, video and photographic applications. We also provide high end technical services. The Vitec Group is organised in two Divisions:

Broadcast Division

Vitec's Broadcast Division designs, manufactures and distributes premium branded products for broadcasters, film and video production companies, independent content creators and enterprises. It also provides premium services including equipment rental and technical solutions to TV production teams and film crews, and enterprise video solutions to corporates, Governments and houses of worship.



Operational Review Broadcast Division
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Revenue

£224.8m

Up 18.9%



Adjusted operating profit*

£21.0m

Up 3.4%



Employees

1,000

Photographic Division

Vitec's Photographic Division designs, manufactures and distributes premium branded photographic and video equipment such as tripods, bags, filters and lights for professional and consumer photographers.



Operational Review Photographic Division
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Revenue

£151.4m

Up 17.5%



Adjusted operating profit*

£20.5m

Up 35.8%

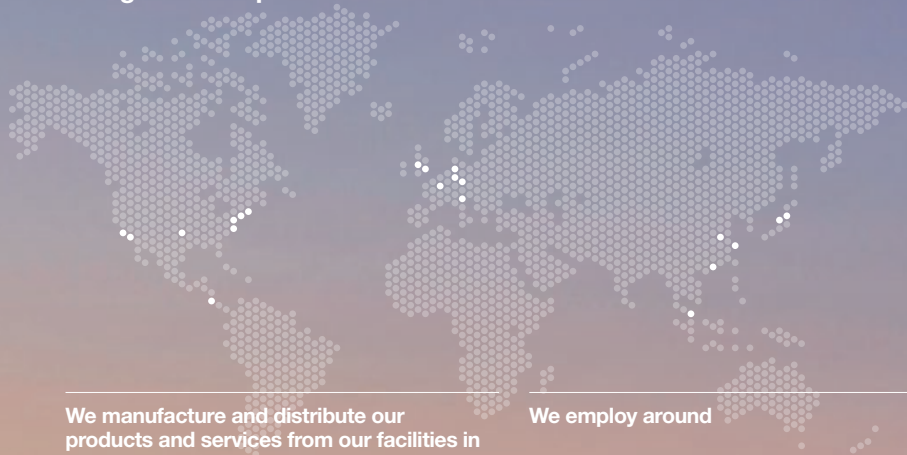


Employees

700

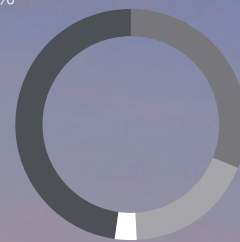
* Before restructuring costs, charges associated with acquisition of businesses and impairment of goodwill, as described on page 03.

Our global footprint



Revenue by destination

- North America 48%
- Europe 31%
- Asia-Pacific 18%
- Rest of the world 3%



We manufacture and distribute our products and services from our facilities in

10 countries

We employ around

1,700 people

Our products and services are sold in over

100 countries

Brands

- Anton/Bauer
- Autocue
- Autoscript
- Bexel
- Camera Corps
- Haigh-Farr
- Litepanels
- OConnor
- Offhollywood
- Paralinx
- Sachtler
- SmallHD
- Teradek
- The Camera Store
- Wooden Camera
- Vinten

Addressable market

We estimate that the broadcast market for products and services supplied by Vitec is worth around £900 million annually. This includes the traditional broadcast and film markets as well as the higher growth independent video production and enterprise video markets. Vitec is well positioned due to its broad geographical reach and premium products. We have a global sales team that is able to offer a full range of products and services to our customers all over the world, either directly or via distributors, both online and in stores.

Market position

Vitec is the market leader in most of its product categories, providing leading products through our brands to the broadcast market.

Product category	Supports	Prompters	Lighting - LEDs	Mobile power	Wireless systems	On-camera monitors	Robotic camera systems	Camera accessories	Distribution, rental & services
Brand	OConnor, Sachtler, Vinten	Autocue, Autoscript	Litepanels	Anton/Bauer	Haigh-Farr, Teradek, Paralinx	SmallHD	Camera Corps, Vinten	Offhollywood, Wooden Camera	Bexel, Camera Corps, The Camera Store
Market position*	1	1	1	1	1	1	2	2	1

* Management estimates by sales value in the market segments in which these products are sold.

Brands

- Avenger
- Colorama
- Gitzo
- Lastolite
- Manfrotto
- National Geographic*
- Xume

* Manufactured and distributed under licence

Addressable market

We estimate that the photographic market for products manufactured by Vitec is worth around £800 million annually. Professional photographers account for approximately half of this market and consumers make up the remainder. There is growing adoption of new image capturing devices by professionals and advanced consumers as the distribution of images via social media continues to grow rapidly. Vitec is focusing on the opportunity to develop and commercialise innovative, high end accessories for these new applications. We sell our products globally via multiple distribution channels as well as online via our own direct e-commerce capability and third party platforms.

Market position

Vitec has leading premier brands in photographic camera tripods, heads, lights and bags for the professional and consumer photographer.

Product category	Supports	Bags	Lighting	Filters
Brand	Avenger, Gitzo, Manfrotto	Manfrotto, National Geographic*	Colorama, Lastolite, Manfrotto	Xume
Market position*	1	2	2	New

* Management estimates by sales value in the market segments in which these products are sold.

Group Chief Executive's Review

Delivering on our strategy to transform Vitec to realise growth, by Stephen Bird



Vitec is uniquely placed to take advantage of growth opportunities in a changing market

Vitec operates in the fast growing “image capture and sharing” market. Technology is driving fundamental changes to this market and Vitec’s unique heritage and the credibility of our premium brands enables us to capitalise on those changes.

We have grown our addressable markets and end users from traditional broadcast and photographic customers to now encompass faster growing market segments, like new media which includes social media. These include independent content creators and enterprises that are increasingly using high quality video for their communication.

Vitec continues to lead the market with its range of products and services. We have developed a significantly higher technology business by expanding our capabilities in software development to support our hardware solutions, by increasing our systems integration expertise, and by designing products for new imaging devices.

We have been successfully transforming Vitec by implementing a growth strategy focused on five main strategic priorities:

1 To improve the core by improving and strengthening our business model while continuing to innovate. In 2016 Vitec delivered a strong cash flow through disciplined cost control and working capital management initiatives that reduced inventory levels significantly. The business has also been improved through lean manufacturing

programmes and has realised savings on previously announced restructuring activities. We have demonstrated our innovation by launching new products, for example new tripods, market-leading robotics and innovative LED lights.

2 To maintain investment into new and faster growing markets and technologies to underpin future growth. For example, this year we expanded our product offering in Apple Stores globally and we launched Sphere, our award winning Virtual Reality product that allows the audience to become the producer of content. We are also building our business to address the growing demand for high quality video produced by corporates, religious, health and education establishments and other enterprises.

3 To continue to get closer to our end customers by owning more distributors and optimising our e-commerce activities. In January 2016 we acquired our former distribution partner in the Netherlands, Provak, for a net consideration of £0.9 million, which has expanded our strong photographic distribution model. We are also investing in and optimising our e-commerce capabilities through working with our major e-commerce customers, such as Amazon, and by further developing our own online platforms.

4 To focus on geographical expansion, especially in APAC, which we believe has good medium-term growth opportunities. In 2016 we grew revenue in this market by £12.8 million to £68.7 million, which included strong growth in Japan where we have achieved record sales performances this year. We expanded our Chinese direct distribution model and invested in initiatives to improve synergies across the Group in back office functions in APAC.

5 To supplement our many organic growth opportunities with carefully targeted acquisitions and corporate development. In April 2016 we acquired the business and assets of Offhollywood that provides camera-back modules for RED cameras and other services to a similar customer base to that serviced by the Group’s existing higher technology businesses, for an initial consideration of £1.5 million. In September 2016 we acquired Wooden Camera, a leading one-stop provider of high quality, essential camera accessories used by filmmakers and independent content creators, for an initial consideration of £15.4 million. Wooden Camera is performing ahead of our expectations. It complements Vitec’s strategy of providing premium branded broadcast products and services to our customers to capture and share exceptional images.

We believe that over the medium-term there are exciting opportunities for Vitec that should deliver sustainable sales growth while continuing to drive strong cash performance. This will enable us to finance a growing business, make value-adding acquisitions and pay well-supported, progressive dividends.

2016 Performance Overview

We are pleased to report that Vitec achieved a record performance with strong growth in revenue, adjusted profit* and cash. As expected, foreign exchange rates had a significant favourable impact on our results.

The Broadcast Division has brought further innovative new products and services to market, benefited from the acquisitions of Offhollywood and Wooden Camera, and successfully supported the Rio 2016 Olympics. Continued growth in higher technology products was partially offset by anticipated lower sales from the Haigh-Farr antenna business and a decrease in US asset rentals activity.

The Photographic Division performed well in 2016, growing revenue and adjusted operating profit*. We have outperformed the market by continuing to invest in and launch innovative new products.

Adjusted profit before tax* of £37.5 million was £6.0 million higher than the prior year which is a record performance (2015: £31.5 million). Statutory profit before tax of £10.5 million was £8.0 million lower than 2015 as it includes the stronger adjusted profit performance being offset by the one-off non-cash impairment of goodwill.

As a result of the stronger performance, and an improvement in the effective tax rate, adjusted earnings per share* increased by 24.1% to 61.3 pence per share (2015: 49.4 pence per share). Basic earnings per share were 20.2 pence per share (2015: 29.3 pence per share).

Free cash flow+ was particularly strong at £44.6 million (2015: £16.2 million) even after £7.4 million of cash outflows on restructuring actions (2015: £3.5 million). The strong free cash flow+ includes the benefits from working capital management initiatives, including a reduction in inventory of £11.2 million, and the consideration of £3.9 million from the sale of the Bury St. Edmunds site. Net debt at 31 December 2016 was £75.1 million (31 December 2015: £76.3 million). At constant currency net debt would have reduced to £63.5 million given a net adverse foreign exchange impact of £11.6 million. The Group's balance sheet remains strong with a year-end net debt to EBITDA ratio of 1.2 times (31 December 2015: 1.5 times) that supports our growth and acquisition strategy.

Product Development

We continue to invest in new products and enhancements to our existing product ranges and I am pleased with the new products that we have launched this year. The level of product development collaboration across our Divisions remained strong in 2016, including products for the growing number of independent content creators. Examples of our new products can be seen in the operational review section which starts on page 16. We continue to invest around 4% of Group product sales into research, development and engineering.

Approval of Strategic Report

We have provided information in this report on our strategy, business model (which has been updated to reflect our current strategy) and objectives which is contained in the Strategic Report. You will find the Strategic Report on pages 1 to 47 and its content has been approved by the Board.

Outlook

We are continuing to transform the Group. We are outperforming our markets by driving sales, investing in new technologies, and expanding our capabilities in the exciting and growing "image capture and sharing" market. A strong cash flow performance and our robust balance sheet support our clear growth strategy.

Vitec has a strong position in changing markets and the Board remains confident about future growth prospects, assuming no significant adverse change in exchange rates.

Stephen Bird

Group Chief Executive

20 February 2017

Strategic priorities

Improve the core



Focus on new markets and technology



Get closer to customers



Expand in APAC



Corporate development



* Before restructuring costs, charges associated with acquisition of businesses and impairment of goodwill, as described on page 03.

+ Free cash flow: cash generated from operations in the financial year after net capital exposure, net interest and tax paid.

Investing in new markets and technologies

Our recent acquisitions are as much about people as they are about product.

For a business like Vitec, intelligent and sustained investment in new markets, technologies, products and people is vital to ensure that we retain our market-leading positions.

The “image capture and sharing” market has fundamentally changed and we continue to identify and make appropriate, value-adding acquisitions to supplement our organic activities and enable us to benefit from those changes.

Our unique heritage, experienced people and the credibility of our established, premium brands allow us to recognise strategic opportunities in new markets, technologies and geographies and expand into those pockets of the market that are growing fast.



Operational Review
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Wooden Camera

Acquiring Wooden Camera demonstrates Vitec's commitment to expanding our portfolio of premium branded products and services for the broadcast market. Their products are the glue that binds all the building blocks together on a professional camera system.

As part of Vitec's strategy to invest in new markets and get closer to our customers, we acquired Wooden Camera, a high quality camera accessories company, whose products are used mainly by filmmakers and independent content creators. Their products are known industry-wide as essential items for making cameras more functional and versatile.

Based in Dallas, Texas, Wooden Camera's high performing products supplement basic camera equipment by linking camera peripherals and are used on many leading cameras. Wooden Camera designs its products in the US and sells them directly to end users through a number of channels, including its own online store and a dedicated retail outlet in Los Angeles, as well as via a reseller network. The products are used by the growing market of independent content creators providing images to an increasing number of new media platforms.

Wooden Camera strengthens and complements Vitec's existing activities,

including Teradek, Paralinx, SmallHD and Offhollywood which also design and provide high quality products mainly for independent content creators.

Our acquisition of Wooden Camera has enabled it to leverage its leading market position and expand worldwide. Now, as part of Vitec, these products are being sold around the world through Vitec's extensive global sales and distributor network and the business is benefiting from Vitec's manufacturing and product sourcing capabilities. It is also collaborating with many areas of the Group on new product development.

"We are excited to have become part of Vitec and feel that our product line and culture fits perfectly with Vitec's premium brands. Customers already turn to Wooden Camera when they need to mount a SmallHD monitor, Teradek transmitter, Anton/Bauer battery and other items. Now as an official part of the Group, we look forward to many new possibilities."

Ryan Schorman, co-founder of Wooden Camera



Provak

Provak further expands Vitec's strong photographic distribution model.

As part of Vitec's strategy to get closer to our customers we acquired Provak, the main distributor of photographic brands in the Netherlands and Vitec's former distribution partner. In addition to margin consolidation, sales growth and full control of channel management, Vitec's ownership of Provak has enabled us to consolidate all photographic brands in Benelux under one distributor and serve this region from the Netherlands.

Offhollywood

Vitec's investment in Offhollywood's R&D expertise and cutting-edge products enables us to grow our higher technology product range.

Offhollywood is a camera accessories manufacturer, equipment rental and production services provider and its acquisition is in line with Vitec's higher technology strategic goal. A digital cinema company based in Brooklyn, New York, providing R&D and cutting-edge production/post-production services, Offhollywood has most recently focused on designing and developing a unique line of modules for the RED camera product range.

"By partnering with the Vitec engineering team we were able to rapidly develop and bring to market a unique line of modules for the new RED cameras, overcoming obstacles that otherwise would have been insurmountable." **Mark L. Pederson**, co-founder and CEO of Offhollywood

"The Offhollywood team has been an important partner to RED since our inception and we have continued to look to them for guidance over the last decade. We are proud and excited to see them take their next step by joining forces with Vitec." **Jarred Land**, RED Digital Cinema President





Our industry

Vitec operates in one of the most exciting global markets; that of image capture and sharing. This dynamic market has been transformed over the past decade and will continue to change. Driven by new media and technological innovation, image capture and sharing has grown exponentially, with millions of videos and still images taken and shared every day.

Broadcast

Vitec supplies broadcasters, cinematographers and independent content creators with a variety of products and services to assist in the capture and transmission of video images.

The broadcast market comprises products and services used in the production of content for broadcasters and cinematographers, whether in a studio, on location or in an enterprise. The growing professional video segment includes products and services used in the production and streaming of video by independent content creators including education and religious establishments, corporate entities and governmental bodies.

Photographic

Vitec supplies photographers and videographers with a variety of products for use alongside a photographic camera. We target professionals and advanced consumers.

The majority of our products are designed for use with an interchangeable lens camera ("ILC") such as a single lens reflex ("SLR") camera, a compact system camera ("CSC"), premium mirrorless cameras and new image capturing devices (e.g. smartphones, action cameras, Virtual Reality/360-degree cameras).

Supports
 (pedestals, tripods and heads)

- » Avenger
- » Gitzo
- » Manfrotto
- » OConnor
- » Sachtler
- » Vinten



Wireless systems

- » Haigh-Farr
- » Paralinx
- » Teradek



Lighting and controls

- » Colorama
- » Lastolite
- » Litepanels
- » Manfrotto



Camera accessories

- » Manfrotto
- » Manfrotto Xume
- » OConnor
- » Offhollywood
- » Wooden Camera



Our products and services

Our brands are leaders in the markets we serve, both in terms of the premium product or service supplied and the share of the market our brands capture. Our products and services have enabled some of the most amazing moments to be captured and shared.

Our products typically attach to, or support, a camera – primarily for broadcast, video and photographic applications. We also provide high end technical services to major broadcasters. Our products serve a variety of end users and are offered as a cohesive package.

Mobile power

- » Anton/Bauer




Promoters

- » Autocue
- » Autoscript




Robotic camera systems

- » Camera Corps
- » Vinten



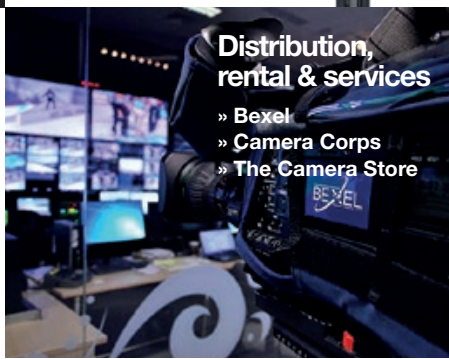
On-camera monitors

- » SmallHD



Distribution, rental & services

- » Bexel
- » Camera Corps
- » The Camera Store



Bags

- » Manfrotto
- » National Geographic*
- » Sachtler



* Manufactured and distributed under licence

Our customers

Vitec's purpose is to support our customers to capture and share exceptional images. Our products and services encompass a variety of technologies, designed and engineered to ensure that, whatever the conditions, the image maker has the best equipment to "capture the moment".

These technologies range from traditional mechanical engineered products, for example manual camera supports, through to electronics and software. Nonetheless the user is the same – an image maker – whether engaged by a broadcaster, film or other production company, a corporate, educational or religious establishment, operating as an independent business, or an amateur.

Independent Content Creators

"My job is really about functionality and comfort when it comes to my camera rigs. I own two RED WEAPONS, an ALEXA Mini, Sony A7s, a Panasonic GH4, the list goes on, and every camera is decked out with Wooden Camera gear! When you are on set, each camera needs to be rigged like it was made for you and Wooden Camera does that."

Neil Dearman, Owner, Neil Dearman Productions



Bloggers and vLoggers

"I need a bag that does it all. One that accommodates the variety of shooting I do. Whether drone, cinema, stills or a mix. The Manfrotto 3N1 gives me the freedom to go."

Kody and Kyler McCormick, two brothers "living to inspire". Manfrotto Ambassadors, TEDx speakers and sponsored adventure filmmakers



Broadcasters and TV Networks

"The first test of Autoscript's VoicePlus blew us away because it was completely seamless and showed us this great new possibility for our workflow. And, in the end, we made no significant changes to our original infrastructure to accommodate it."

Neils Borg, Project Manager and Technical Director, TV MIDTVEST

Lighting Specialists

"Litepanels became a very rare company in that it has both a really good soft light panel and an entire Fresnel package that would work in conjunction. And that's what's really cool. I'm at 5,000 Watts for 100 lights, which is outstanding; that's four sound stages that have less wattage than what typical studios use to light a green screen for their weather segment."

Dan Reed, Lighting Designer, Fullscreen Studios



Cameramen

“Vinten hit a home run with the Vector Series because of the pantographic design, perfect balance, and the drag. Everything is perfect and the pan head is so responsive. It doesn’t stick. It doesn’t slip. There are no surprises. It does exactly what I expect it to do and to a guy like me, it’s how I express myself. It’s how I earn a living. It’s how I get that signature shot that I could only get with a Vinten.”

Tom Guilmette, Director of Photography who has worked with the Boston Red Sox, Boston Bruins and the Summer Olympics



Cinematographers for films

“Transport over icy, snowy and rocky terrain is very difficult; that’s why the equipment has to be extremely robust yet very lightweight at the same time. On top of that, the quality of pan and tilt movements is a basic requirement. It doesn’t matter how well you prepare; you never know how much leeway you’ll actually have in those extreme conditions. That’s exactly why you need the best possible camera support.”

Alessandro Beltrame, Director of Photography on why he used his Sachtler FBS 6 system for The Antarctica Project at the South Pole

Enterprises

“Every church has a story to tell, whether conservative or contemporary, large or small. Especially during the holiday season, you can take your Church’s story to the world with Live Video streaming. And no matter the size of your congregation, Teradek has the gear to help you share your services.”

Tyler Riddle, AV Director, OC Grace Church

Pro Photographers and Videographers

“99% of my images rely on stability and precision. I never take a photo without using a tripod, unless there is just no other practical option. Both Gitzo and Manfrotto justify their reputation as being the best in the business – they are reliable, stable, portable and enable me to work quickly, efficiently and effectively. I’ve used their products since my teens!”

Ross Hoddinott, natural history and landscape photographer, member of the 2020VISION photo team and a Nikon Ambassador



Amateur Photographers

“Thank you Manfrotto. You guys keep knocking out amazing gear: it never lets me down.”

Tom Adamson, with a passion for photography, he is always on adventures with his cameras



Outside Broadcasters (sports / live events)

“The Bexel team supplied much of the glue for this production, including fibre optic cabling to handle all of the short-haul, high definition video runs between the Times Square studio, our editing facility a few blocks away in a hotel, and between NYC and MetLife Stadium for Super Bowl XLVIII. Bexel helped plan and implement that infrastructure and figure out the logistics of making it all work, including what equipment we’d need to do what we needed to accomplish.”

Mike Davies, Vice President of Field and Technical Operations for FOX Sports

Our people

“As an entrepreneur faced with the prospect of selling my first company to Vitec, I didn’t know what to expect. However, in the two years since our acquisition I’ve been blown away by the ability to work with talented people, abundant technological resources and a global reach to the most interesting and diverse customers in the world.”

Greg Smokler
Co-Founder, Paralinx, Los Angeles

“In my role as an HR professional I’ve been given a 360-degree view of the business, its strategy and the markets we work in. I’m now working in Asia with the best professionals in the field, learning everything from marketing to finance and learning more about our products.”

Saema Rab
HR Business Partner APAC, Hong Kong

“As an experienced photographer, who integrates smart phone image taking into my projects, I am the customer Manfrotto and Apple both look to engage. Blending my consumer experience with Apple’s and Manfrotto’s trusted branding, we were able to create new smart phone products and develop new markets.”

Robert Magness
Regional Manager, West Coast,
Manfrotto Distribution US, Los Angeles

“During 19 years at Vitec I have worked on many projects and been given countless opportunities to use and learn new, cutting-edge manufacturing technologies to produce our market leading products and also help advance my skills.”

Steve Manning
Team Leader, Production, Bury St. Edmunds

“Vitec has allowed me to learn about the importance of teamwork to achieve the goals of lean projects in the company, of cost reduction and process improvement.”

Jose Daniel Brenes
Continuous Improvement Engineer, Costa Rica

“I started as an intern and have now been taken on full time at the Group head office, where I am learning about the Group’s strategy and have the opportunity to review and analyse potential acquisition targets around the world.”

Felix Belloin
Group Development Executive, Richmond, UK

“Communication is my passion and I’m always excited to find new ways to engage with our community and to better understand the needs of our end users. I’ve been involved in Manfrotto’s development of social media and digital communications platforms to drive our online engagement opportunities.”

Claudia Rossi
Communications Specialist, Italy

Our people

Our people are key to Vitec’s future. They make the difference not only by what they do, but by how they do it. Their attitude and abilities, talent and commitment create a culture that naturally supports product excellence, creative solutions and integrity.

Our values

Product excellence

Everything we make and do is exceptional

Customer focus

We are nothing without our customers

Creative solutions

We are constantly looking to break new ground

Collaboration

We work better when we work together

Integrity

What you see is what you get

Our Operations Executive

Strategic Report
Corporate Responsibility
Corporate Governance
Financial Statements

Stephen Bird
Group Chief Executive

"Vitec is uniquely positioned in an exciting and fast growing market. Our exceptional people are focused on continuing to deliver our strategy to realise growth."



Paul Hayes
Group Finance Director

"We have a clear focus on delivering sustainable profit growth and tightly managing Vitec's working capital."



Martin Green
Group Business Development Director

"We keep the Group's portfolio under continuous review, looking for acquisitions and other business development opportunities to enhance shareholder value."



Jon Bolton
Group Company Secretary

"Vitec's governance and controls are appropriately structured to protect our reputation and shareholder value and support the business on delivery of its growth strategy."



Our Operations Executive

The Operations Executive is responsible for leading the organisation. Together the team develops strategy, implements our plans and ensures we run the business effectively. We meet monthly to discuss the business and drive collaboration. The strength of this team derives from a diverse range of personal and functional skills and experience.

Jennifer Shaw
Group Communications Director

"We communicate regularly, both internally and externally, using a variety of channels. Keeping all of our stakeholders informed is key to the success of the business."



Marco Pezzana
Photographic Divisional Chief Executive

"Photographic technology and distribution channels are changing at an unprecedented pace. We strive to get even closer to our customers using open innovation, strategic alliances and e-commerce, supporting them to capture exceptional images."



Alan Hollis
SVP Production Equipment, Broadcast Division

"In our core and traditional businesses we are market leaders with highly valued, premium brands. We remain focused on delivering constant improvements while stimulating growth and share gain with sustained new product development."



Nicol Verheem
SVP Creative Solutions, Broadcast Division

"Content creation is growing and evolving in really exciting ways. Creating the technology that helps everyone from individuals to media giants make and share this content is not only rewarding, but also enables Vitec to grow alongside it."



Martin Vann
SVP Enterprise Video, Broadcast Division

"The use of video by enterprises to inform, improve performance and connect with customers is growing rapidly. Recorded and live streamed video content are redefining enterprise communication."



Halid Hatic
SVP Production Services, Broadcast Division

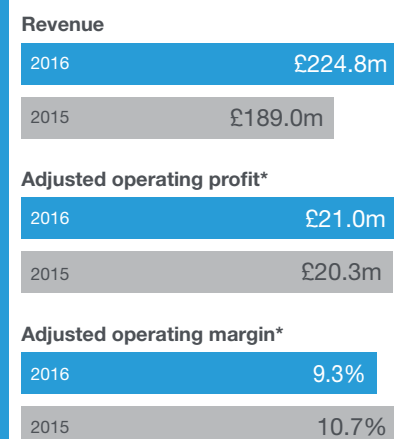
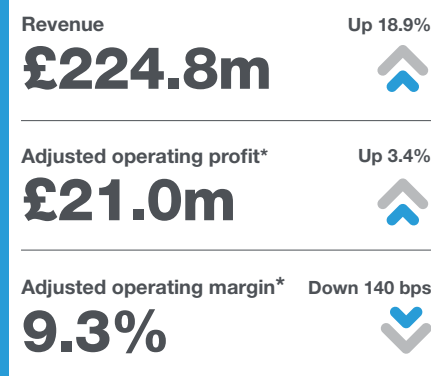
"We provide services in the most demanding, mission critical broadcast environments. Our customers rely upon our specialty services to enhance the viewing experience of their sports and live event programming."



Operational Review

Broadcast Division

The Broadcast Division designs, manufactures and distributes premium branded products for broadcasting, film and video production for broadcasters and independent content creators. It also provides premium services including equipment rental and technical solutions to TV production teams, film crews, and corporate enterprises.



* Before restructuring costs, charges associated with acquisition of businesses and impairment of goodwill, as described on page 03.

Revenue for 2016 was £224.8 million, an increase of 18.9% on the prior year. At constant exchange rates revenue grew by 5.6% on 2015 with a strong performance from the higher technology businesses. Adjusted operating profit* increased by £0.7 million to £21.0 million although it was 2.7% lower than the prior year at constant exchange rates.

Adjusted operating profit* and margins reflected a strong performance by the higher margin technology businesses but also the negative impact of the anticipated lower volumes in the Haigh-Farr antenna business and the lower activity at the US asset rentals business. The Haigh-Farr business is a non-core activity. On a constant currency basis excluding Haigh-Farr's results, the Division's revenue grew by 7.0% and its adjusted operating profit* was 11.2% higher.

The Division has continued to increase its sales of higher technology products particularly for independent content creators, including wireless transmitters and receivers, camera monitors and mobile power. Our mobile power business has grown, with the US broadcast battery market performing well and we have gained a number of large medical mobile power orders. This was offset by lower sales in more mature markets.

We have continued to invest in new product development in line with the changing nature of the broadcast market. New products launched in the year include: large High Dynamic Range (HDR) monitors; virtual reality capabilities; the Vinten Vantage, a compact robotic head providing smooth on-air motion that supports many cameras and lenses; and the Teradek Live:Air, an iOS app enabling live video production with a full range of real time features, using only an iPad.

Our higher technology offering was further enhanced with the acquisitions of Offhollywood in April 2016 and Wooden Camera in September 2016. Both of these acquisitions provide the Group with innovative ranges of high quality branded camera accessories that we are selling through our global distribution channel. This builds on our recent strong acquisition track record including the purchases of Teradek and SmallHD, with SmallHD delivering growth in 2016 as it benefited from investment in its monitor technology.

Revenue from the equipment rental and broadcast services business was higher than the prior year, benefiting from supporting the Rio 2016 Olympics and the award of a significant contract with the NFL for project management and technical support. However, the NFL contract included high material costs with a low pass-through margin.

The performance of the broadcast services business was negatively impacted by a significant downturn in the more competitive traditional US asset rentals market, particularly in the second half of the year. We are carefully reviewing the business' performance and taking appropriate actions to drive improvement. This resulted in a strong positive cash flow from this business despite it making an operating loss in 2016. This has been achieved by restructuring and further simplifying the business model while significantly reducing the asset base through lower levels of investment and by proactively selling underperforming rental assets.

As previously identified, the Division's results were also negatively impacted by the anticipated lower volumes and planned cost investments within the higher margin Haigh-Farr defence antenna business. The business remains profitable but its outlook is much weaker having performed particularly strongly for the last few years.



Growth drivers

Increase in video consumption and independent video creation

The proliferation of new media, coupled with the launch and growth of third party streaming applications from Google and Facebook, has resulted in significantly higher content generation, engagement, reach and measurability (via likes, follows, shares and comments).

Newer online platforms such as Netflix and Amazon Prime have rapidly increased their commissioning of original content as opposed to re-transmitting programmes previously aired on the traditional networks. This has led to the expansion of independent production companies set up to produce content for those networks and those production companies purchasing or renting equipment to do so.

Free streaming platforms such as Facebook Live and YouTube Live allow content creators in the field (independent and traditional broadcasters) to stream live and publish content on mobile devices. Vitec provides a wide range of mobile production equipment (e.g. Manfrotto monopods and Litepanels portable lights) while Teradek's Live:Air production suite offers a comprehensive video mixer for iOS devices.

High Definition transition, Virtual Reality and 360-degree video

4K resolution adoption has increased rapidly with the Rio 2016 Olympics and other sporting events mostly shot and broadcast in 4K Ultra HD, and Netflix and Amazon Prime offering 4K Ultra HD streaming services. While adoption is growing, with most major television and monitor manufacturers creating products with HDR and 4K support at affordable prices, it is still not yet mainstream. However, this has resulted in studios being upgraded, camera replacement cycles shortening and increased demand for our products. Worldwide, even higher resolutions have been launched, for example, Japan's pioneering public broadcaster NHK's world first 8K broadcast.

360-degree video streaming and Virtual Reality ("VR") applications are expanding rapidly, with many television shows offering "second screen" content online. The industry is supported by investments from companies like Facebook (Oculus), HTC (Vive), Samsung (Gear VR), Sony (PlayStation VR) as well as platforms such as YouTube 360. Vitec has developed ground breaking products in this area, with, for example, Teradek's award winning Sphere VR which converts the flat, rectangular views from multiple cameras into an immersive, virtual, 360-degree world, and streams that wirelessly to tablets, phones and the web.

Broadcasters' capital expenditure

Broadcasters' ability and willingness to incur capital expenditure on the construction or refurbishment of studios depends partly on their financial performance. Those broadcasters funded by subscription income have performed well and expanded with new operations globally. Those broadcasters reliant on advertising expenditure continue to invest in their capabilities but tend to be more susceptible to macroeconomic conditions.

Vitec's ability to offer products that reduce the capital expenditure requirements of broadcasters and in turn reduce their investment risk, is increasingly attractive, notably through savings offered by our lower cost robotic heads (e.g. Vinten Vantage) and Litepanels LED lighting solutions. The savings and efficiencies offered by LED lighting compared with traditional lighting are significant. There is also a focus on mobile journalism and portable solutions with more bonded cellular broadcasts using products such as Teradek's Bond. It is not enough to simply create content for broadcast; content must also be made for online audiences, whether that is live streamed or uploaded as "second screen" content.

Wireless transmission of data

We see accelerating growth in the use of wireless devices to transmit data and images on "connected devices", especially through WiFi. The cost-effectiveness, range and quality of video data encoders, decoders and related components allows users to monitor and transmit at increasingly lower costs. Vitec products, including Litepanels' use of Bluetooth for remote lighting management, Teradek's wireless decoders and Manfrotto's Digital Director, are all evidence of our innovation in new markets and technologies.

Video for enterprises

There is a growing demand for high quality video being produced by a variety of non-broadcast enterprises. This includes:

- » Fortune 1000 businesses wanting to capture and disseminate corporate messages internally, as well as training videos and new product introductions
- » Large religious institutions increasingly using video to connect with congregations
- » Public addresses and streaming of official meetings, court proceedings and government sessions
- » Medical institutions wanting to record healthcare procedures with high quality video

These customers need to light their content, use teleprompters to better tell their story, deploy stable supports to hold and use their cameras, equipment to hold their lights and even backgrounds for their videos. Vitec has built a dedicated team ("VitecEV") to focus on this market segment, bringing innovative solutions and services to help customers adopt, deploy and increase their use of video.

“

As an educator who teaches the craft of video production and film making I constantly look for best in class products to integrate into both my workshops and my work. SmallHD are my “go to” monitoring solutions. When students see how simple, modular and customisable they are they want to start using them on their projects. They are also perfect for today’s Log/LUT workflows. I can’t wait to see what they come up with next!

Jem Schofield Producer/DP/Educator, theC47

New markets and technologies

Vitec’s Creative Solutions Business Unit comprises five entrepreneurial companies which mainly serve the rapidly growing independent content creator market with higher technology products. Cheaper production tools have enabled a much larger population of video creators to emerge, whose output is likely to appear on newer platforms such as Netflix, or be webcast on, for example, Livestream. We see growth coming from many areas, but particularly webcasting, driven by Facebook, YouTube and Twitter wanting original video content on their platforms.

Here, our strategy in action is to “focus on new markets and technologies”, and we have developed some ground breaking products – hardware and software – to capitalise on this exciting market.



Sphere

Sphere, our award-winning Virtual Reality product, allows the audience to become the producer of the content. Teradek’s technology converts the flat, rectangular views from multiple cameras into an immersive, virtual, 360-degree world, and streams that wirelessly to tablets, phones or to the web. Sphere is used on landmark productions like ABC’s “Dancing with the Stars” and Fox Sports’ coverage of the 2016 Rio Olympics.



Live:Air

“Live to Air” is a video production suite developed by Teradek for Apple iOS devices. It comprises video editing tools and support for all popular live streaming services, enabling users to share video content online; content that looks like it came from a professional studio but at a fraction of the cost, and with a much simpler learning curve.



SmallHD High Bright monitors

SmallHD’s High Bright technology offers 3x the brightness of traditional LCD displays, allowing filmmakers to easily monitor their footage outdoors. The first-ever line of daylight-viewable HDR production monitors in 17, 24 and 32-inch sizes, they offer an unrivalled viewing experience for studio and field productions. Every monitor housing is milled from billet aluminium – an industry first – and holds a 3mm thick polycarbonate screen protector that is user-replaceable.



Ever since the Barcelona Games in 1992, Vitec's Camera Corps team has been a regular service provider in the field of "Specialty Cameras". Camera Corps has been consistently developing new and innovative ways of providing those "WOW" shots to make the Games so memorable. In addition, they provide highly trained technicians and full logistical support, fully integrated within the wider OBS "Team".

The OBS and Camera Corps have formed a special broadcast partnership based on trust and excellence.

Yiannis Exarchos Chief Executive Officer, Olympic Broadcasting Services

Improving the core

Vitec's Production Equipment and Services Business Units sell mainly into the more traditional broadcast market where our premium brands are market leaders. The strategic focus here is to "improve the core".

We have a clear plan to continue to enhance margins through better purchasing, inventory management, manufacturing and leveraging synergies. We also have a sustained programme of investment in new product development, in response to customer demand and technological innovations, in order to support growth. Examples of new products include unique new tripods, market-leading robotic cameras, innovative Litepanels LED lights and moving into adjacent markets with Anton/Bauer medical batteries.



Robotic Camera Systems

Vitec has recently launched the Vinten Vantage, a market-leading compact robotic head. In response to the trend for smaller studios and cameras we launched this lightweight robotic head which is camera and lens agnostic, to provide our customers with flexibility in the studio.



LED Lighting

Litepanels pioneered LED lighting for motion pictures, television and the audio-visual industry. We continue to expand our suite of products and have introduced a low cost app to enable remote control and colour matching to be managed from an iPhone or iPad. This greatly enhances the productivity and quality of the shoot.



Specialist Sporting Events

Vitec was in action in Rio supporting our 9th summer Olympic Games. Our specialist products, solutions, services and crew were used to capture and share over 40 sports. We showcased new products and technologies throughout the Games, shipping 130 tonnes of equipment and 127 crew to Rio.

Developing a new market

Our Enterprise Video Business Unit ("VitecEV") addresses the growing demand for high quality video in enterprises. We have had success selling into this market for years in an opportunistic fashion and have recently built a small dedicated team to focus on this expanding market segment. The combination of Vitec products, as well as the wrap around services we provide, enables Vitec to offer four propositions in this growing area.

Production Tools

Vitec's traditional production offerings can be bought by enterprise customers for traditional production uses.

Enterprise Studio

The Enterprise Studio is a broadcast-like facility packaged to fit in a large conference room to provide a high level studio for high quality video production. We recently deployed an Enterprise Studio for one of the largest consulting firms in the world and will be adding a second studio in 2017.

Virtual Reality

The VR studio includes a variety of Vitec's offerings plus high level support.

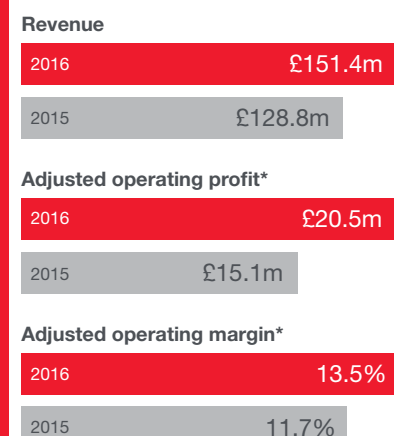
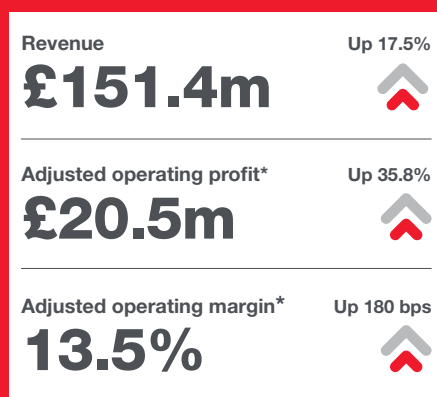
Creative Studio

The Creative Studio is the size of a large filing cabinet, is mobile and is designed to be set up in a traditional conference room. It can be used for product training, talking head interviews (where one employee interviews another), as well as new product introductions.

Operational Review

Photographic Division

The Photographic Division designs, manufactures and distributes premium branded equipment for photographic and video cameras and provides dedicated solutions to professional and non-professional image makers. This consists primarily of camera supports, tripods, camera bags, lighting supports, LED lights, lighting controls and filters. It also supplies an expanding range of premium accessories for smartphones, action cameras and drones.



* Before restructuring costs, charges associated with acquisition of businesses and impairment of goodwill, as described on page 03.

The Photographic Division performed well in 2016 growing revenue by 17.5% to £151.4 million and adjusted operating profit* by 35.8% to £20.5 million. After eliminating the favourable effect of foreign exchange, revenue was 3.6% higher and adjusted operating profit* increased by 2.8%.

We continue to monitor the shipments of interchangeable lens cameras as published by the Camera and Imaging Products Association (CIPA). We believe that we are continuing to outperform the market as our sales are outperforming recent CIPA trends. Revenue growth has been achieved through investing in and launching innovative new products and developing our distribution channels. As a result we have continued to grow our share in most of our markets. Adjusted operating profit* growth reflects this increase in sales and was helped by lean initiatives and the restructuring actions completed during the year.

New products launched this year include specialised supports and bags that are designed for action cameras and drones. This remains a higher growth area within the photographic market. We have successfully grown our video sales including the new Manfrotto monopod and BeFree Live, a compact and lightweight head that enables smooth camera movement.

We have also launched products aimed at smartphone users who accessorise their phones because they want to take better photographs. In 2016 we collaborated with Apple to launch the TwistGrip that connects all smartphones to any camera support. This is one of five of our products that are sold in Apple Stores worldwide.

During the year the Division acquired the intellectual property of Xume technology. This is a patented quick release magnetic adapter that enables photographers to connect filters to their lenses quickly and with great precision. This range complements Manfrotto's existing premium filters designed for professional and non-professional image makers.

We continue to get closer to our customers with our international distribution infrastructure and e-commerce capabilities. We are pleased with the performance of Provak, our former distribution partner in the Netherlands that we acquired in January 2016. This business has been successfully integrated into the Division and further expands our strong photographic distribution model. We believe that our distribution infrastructure is a major asset in remaining close to our end customers.

This year we continued to develop our online platforms, and launched and upgraded websites in several countries. Our performance reflects the benefit from these investments and the continued growth of our e-commerce sales, both directly and through sales to our major online partners including Amazon.

The Photographic Division has a good market share in the APAC region and we are focused on delivering further growth in this area. We have continued to grow sales in APAC during 2016 supported by our direct distribution in China, Hong Kong and Japan.

Growth drivers

Adoption of new image capture devices

The growing adoption of new image capturing devices by professionals and advanced consumers is an important growth driver for Vitec's Photographic Division.

Continued technological enhancements, premium mirrorless cameras, drones, VR/360-degree cameras and smartphones have drastically improved image capturing performance and are rapidly being adopted by professionals and advanced consumers as complementary equipment to traditional DSLRs. This has opened up a new opportunity for Vitec to develop and commercialise innovative, high end accessories that enable a competent creative public to obtain the best results from new image capturing technologies.





The democratisation of film making

The availability of highly portable hybrid cameras, coupled with the application of dependable WiFi technology, enables an interchangeable lens camera (“ILC”) to support instant content sharing and post-production, responding to the growing need for instant content both at professional and end user level.

We call this the democratisation of content production, a positive trend that is rapidly expanding the addressable market for Vitec and particularly the Manfrotto brand which offers a wide range of hybrid accessories across supports, lighting and carrying equipment.

Online distribution channels

The continued growth in online distribution channels for photographic products has continued to stimulate demand from new customers, particularly in emerging economies where e-commerce provides easier and faster access to a wider range of products and tutorial information.

Sales of cameras with interchangeable lenses

We are seeing more stability in the ILC market. Towards the end of 2016, production in Japan recovered from the earthquake earlier that year and we are seeing the continued upgrade in sensors and overall specifications of latest generation compact system cameras. This is driving a growing adoption of this format by advanced consumers and professionals alike.

In addition, the application of 4K video technology to both DSLRs and CSCs is attracting a growing number of content creators who can now produce high quality visual content in either still or motion picture formats with highly dependable, portable and affordable equipment. This positive trend is expected to further consolidate with the evolution of 4K into 8K technology which will enable the extraction of high resolution still images from video assets.

“

This handy, sleek little tool will now stay in my camera bag permanently, finding use in most of my photo shooting situations. Thank you Manfrotto!

Dean Blotto Gray Principal Photographer for Burton Snowboards, a Manfrotto Ambassador, referring to the TwistGrip

Getting closer to our customers

Our Photographic Division has been working hard to get closer to our customers in both our core and emerging markets, to enable us to grow across channels and geographies.

Today, many new image capture devices and related accessories are sold outside photo specialty stores in new distribution channels, like Apple Stores, Amazon and specialised e-commerce platforms. All image makers are highly digitalised and the internet is rapidly becoming the preferred channel for them to purchase new equipment. While Vitec continues to invest in distribution to photo specialty stores, we have also been developing our online presence by working in partnership with leading e-tailers, by growing sales via direct e-commerce and by developing the largest social community in the photographic accessory industry, driving over nine million visits to manfrotto.com a year.

Manfrotto.com

Manfrotto launched a state of the art e-commerce platform in late 2015 with the objective of increasing direct sales, average cart value and conversion rate. Direct e-commerce has become an important growth driver for the Photographic Division with strong year-on-year revenue growth. More importantly, direct e-commerce brings us even closer to our core customers. It enables fast track introduction of new products and supports a more effective expansion of the brand in adjacent product categories via highly targeted direct marketing and social media campaigns.



Amazon

Vitec’s global partnership with Amazon drives growth through the customer-centric supply of our core product range, providing the platform to target relevant customer segments quickly and efficiently. Vitec has developed a dedicated team within Amazon for the six most significant geographies. This resource works on advancing our brands in the consumers’ mind through engaging content, search engine marketing, platform specific promotions and digital integration.



Award-winning new products

Over the last 24 months we have entirely renewed our tripod range with three core principles in mind:

- 1) more compact designs
- 2) lightness and portability for outdoor/urban photography and instant sharing
- 3) photo/video functionality combined in a single support

We have also brought to market a number of new accessories by collaborating with other industry leaders. Some examples include:



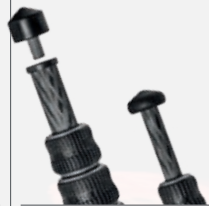
TwistGrip

Following the launch of TwistGrip, a selection of five Manfrotto accessories are now listed in all Apple Stores worldwide. This was accomplished by focusing not only on innovative product development but also, and most importantly, the retail partnership with Apple Stores.



Pro Light 3N1 backpack

In addition to driving growth in supports, over the last 24 months we have entirely renewed our range of bags, rapidly becoming the second brand in value share worldwide. The award winning 3N1 backpack, for example, enables users to carry drones, photographic or video kit, as well as computing equipment, depending on the needs of a specific shoot. In addition, adjustable straps and multiple access points mean the bag can be used either as a backpack, sling or shoulder bag.



190 Go!

The 190 Go! carbon fibre tripod features unrivalled professional performance with the lowest weight, fastest leg deployment and patented Q90 portrait capability. The 190 Go! was awarded the TIPA Award for best tripod 2016.

“

The new BeFree Live fluid head video tripod is just such an epic addition to the Manfrotto range. It's half the size of the tripods I've used in the past and still has all the features that lets me get those smooth motion shots that I'm after when the waves are on.

Philip Thurston Ocean Art Photographer



Expanding in APAC

Vitec's ability to get closer to customers across multiple distribution channels is also the key to our successful expansion in APAC.

Over the last three years we have invested significantly to develop an efficient distribution network to grow the business in APAC.

Focus on Japan and Greater China

Today we operate with all leading retailers in Japan as well as in the best known imaging shops across first, second and third tier cities in China. Our team of over 40 dedicated sales and marketing professionals work closely with both physical and e-tail customers. With offices in Tokyo, Shanghai, Guangzhou and Hong Kong, Manfrotto has rapidly achieved a leading market position in both supports and bags. APAC is the fastest growing region for Vitec's Photographic Division.

“

We can never have enough Gitzo and Manfrotto products in our inventory. The more we carry, the more they get asked for. Affordable and durable. A MUST for any rental house.

Daniel Gurzi Adorama Rental Co.

Our Business Model

Vitec designs, manufactures and distributes high quality, high performance, premium branded products and services in the growing “image capture and sharing” market. Our business model is focused on achieving five main strategic objectives.



Our two Divisions create value by:

Understanding customer needs

Our businesses continually obtain feedback on market trends, competitors and their products from customers as well as from research. As our businesses are market leaders, this enables us to remain close to our customers, anticipating and responding to developments to ensure that our brands remain at the forefront of the industry, renowned for their premium offerings.

Focused new product development and market leading brands

Our experienced, specialist engineers apply new technologies, products and materials to develop high quality high performance solutions. Our innovative products and services are protected by patents and trademarks and marketed under our world renowned brands. We produce the majority of our products in-house and work with selected, market leading partners for specialist solutions. We supplement in-house developments with carefully selected acquisitions in new markets and technologies.

Efficient supply chain

We procure materials from reputable suppliers and produce our products in efficient and environmentally friendly operations and, where appropriate, in lower cost countries such as Costa Rica and China. The majority of our operations are relatively low-volume, small-batch processes and our continuous improvement culture enables us to drive productivity in our core businesses.

Global distribution

We market our products and services through our own sales and marketing teams. The majority of our sales are conducted via a global network of distributors, dealers and retailers who sell on to customers. We are expanding our e-commerce capabilities through working closely with our customers to develop our online presence and have a particular focus on expanding in APAC. The breadth of products and our strong brand heritage means that our network of channel partners is unrivalled in the markets we serve. We also engage with a number of leading logistics partners to ensure responsive and timely delivery of our products to the relevant geography.



»»

Global distribution

- » Global sales force
- » Online platforms
- » Own distribution
- » 3rd party distributors

»»

Expand in APAC

»»

Customers

- » Broadcasters
- » Independent Content Creators
- » Photographers
- » Enterprises
- » Filmmakers

At the Group level we create value by:

Strategy

The Board and Operations Executive set Group and Divisional strategy, focusing on markets served, customer segments and products supplied.

Budgeting and monitoring

Vitec sets Group and Divisional budgets annually and regularly reviews Group and Divisional performance during the year. This includes regular forecasts to ensure that the financial performance is clearly understood and appropriate targets are set.

Investor relations

We communicate our strategy, performance, outlook and governance with our investors on a regular basis.

Treasury and tax

Vitec manages its financing, hedging and tax planning activities centrally to ensure that the Group has an appropriate structure and funding to support its geographically diverse business.

Acquisitions and disposals

We buy businesses that provide a good return with clear synergies such as extending our technological, product or geographic footprint. We dispose of those businesses that do not fit strategically or do not offer scope to deliver attractive returns.

Governance

Vitec ensures that an effective Group wide governance framework and policies are in place to ensure a strong culture of governance and ethical behaviour.

Risk management

We set an overall framework for reviewing and assessing risk and taking mitigating actions as part of the execution of our strategy.

Health and safety

Vitec sets policies to ensure a healthy, safe and productive work environment for all our employees, and ensures they are complied with.

Talent management

We work across the Group to ensure that we have consistent policies, processes and initiatives for acquiring, engaging and retaining our best talent.

Progress on our Strategic Priorities

Strategic Priorities

Our focus

1) Improve the core

We leveraged our premium brands and strong market positions to improve and strengthen our traditional business. We continue to develop innovative products and services while focusing on operational efficiencies.

2) Focus on new markets and technologies

We invested resources into new and faster growing markets and technologies to underpin future growth, launching products in new addressable markets and to new end users which include independent content creators, filmmakers and enterprises.

3) Get closer to customers

Vitec has strong relationships with its customers and end users. We are enhancing our distribution channels and collaborating with key market players to form more durable and strategic relationships that are less susceptible to commoditisation. Direct e-commerce has also become an important growth driver for the Photographic Division.

4) Expand in APAC

Geographical expansion has been another key focus especially in APAC, which we believe is a particularly attractive medium-term growth market with good opportunities.

5) Corporate development

We continue to supplement organic growth with carefully targeted acquisitions. We have a strong track record in making and integrating acquisitions and we will continue to look for opportunities that meet our criteria for financial returns and strategic fit. Our people are our most important asset and we aim to recruit suitable talent to support the business.

Our achievements in 2016

- Sustained investment in R&D with around 4% of product revenue invested in developing new products
 - New products focused on improving our core:
 - Vinten Vantage – camera and lens agnostic compact robotic head
 - Sachtler Ace L – tripod system endorsed by Freddie Wong
 - Manfrotto BeFree Live – lightweight video head with fluid drag system
 - Continued lean manufacturing initiatives to drive productivity in our main manufacturing plants, including Kaizen Events to increase productivity in Costa Rica and significantly reduce assembly time in Italy
 - Sale of Bury St. Edmunds site to facilitate move to modern manufacturing site in 2017
 - Delivered previously announced restructuring projects to plan that realised an incremental £5.7 million of restructuring savings in 2016
 - Strong cash flow through a focus on improving working capital including delivering an £11.2 million reduction in inventory
-
- Continued to develop and launch products for independent content creators including: SmallHD High Bright screen monitors and Offhollywood OMOD
 - Expanded our offering to filmmakers and independent content creators by the acquisition of Wooden Camera
 - Developed additional strategic relationships within the medical industry and grown underlying sales strongly in this industry year-on-year
 - Launched Teradek Sphere – our award winning Virtual Reality product
 - Launched Teradek Live:Air – iOS app enabling full featured live video production
 - Developed apps to enable LED lighting products to be operated remotely saving customers time and cost
 - Investment in new 4,000 square metre facility for Teradek to support growth
 - Formation of a dedicated Enterprise Video team, VitecEV, specifically to address the growing demand for high quality video by enterprises
 - Launched new products designed to support the needs of consumers developing their interests in photography such as accessories for drones, action cameras and smart phones
-
- Invested further in our e-commerce capabilities by developing our online platforms and launching and upgrading websites in several countries
 - Continued to build closer relationships with our customers by investing in our owned distribution resources, completing the acquisition of our former photographic distribution partner in the Netherlands, Provak, and taking over distribution for Benelux
 - Continued direct sales to consumers through a significant increase in our revenues with Amazon and other e-tailers
 - Developed a close working relationship with Apple to develop products suitable for iPhone users with five products on sale in Apple Stores worldwide
 - Grew our subscription revenue sevenfold at Teradek with its Core transmission technology
 - Worked closely with the NFL to provide major project management and technical support to upgrade communication infrastructure in stadiums in which they operate
 - Strengthened the management team supporting the Olympic Broadcasting Services with the appointment of a new managing director for Camera Corps, experienced in specialist cameras for sporting events
-
- Grown sales in our key Asia-Pacific market by £12.8 million during 2016 to £68.7 million including particularly strong growth in the Japanese market
 - Expanded our Chinese direct distribution model that we implemented in 2015 as we continue to grow sales of our photographic products into this market
 - Launched initiatives to coordinate our support functions across the Group to drive growth in the APAC region including sharing HR, finance and other back-office resources
-
- Completed three acquisitions in 2016: Provak, Offhollywood, and Wooden Camera in line with our strategy. Acquisitions made in the last five years have achieved a 20% return on investment
 - Appointed Martin Green as an Executive Director with Board responsibility for Group Business Development
 - Acquired rights to Xume filter adapters, a unique patented product to facilitate easy use of filters by photographers
 - Expanded our product development teams especially in terms of software capability with the addition of 24 new engineers at Teradek
 - Continued to promote high potential employees both within and across Divisions as part of our succession planning for key senior employees
 - Made 83 long-term service awards in our Production Equipment business
 - Appointed five senior executives to the Operations Executive team to support the Group's growth strategy
 - Implemented cross-divisional project teams to leverage synergies and enhance employees' career options
 - Continued to encourage diversity within our business across all the countries we operate in

Principal Risks and Uncertainties

Vitec is exposed to a number of risk factors which may affect its performance. The Group has a well-established framework for reviewing and assessing these risks on a regular basis, and has put in place appropriate processes and procedures to mitigate against them. However, no system of control or mitigation can completely eliminate all risks. The Board has determined that the following are the principal risks facing the Group.

Change in risk profile during 2016

- ⬆ Increased risk
- ➡ Constant risk
- ⬇ Decreased risk

Specific Risk

Demand for Vitec's products



Demand for our products may be adversely affected by many factors, including changes in customer and consumer preferences and our ability to deliver appropriate products or to support changes in technology. The Group increasingly produces and sells products that are more technologically advanced, including encoders, transmitters and on-camera monitors. These products have a shorter life cycle than our historical products, and continuous investment in new product development is needed to keep up with the changing demand. Demand may also be impacted by competitor activity, particularly from low cost countries.

Mitigation

We value our relationships with our customers and to mitigate this risk we monitor closely our target markets and user requirements. We maintain good relationships with our key customers and make significant investments in product development and marketing activities to ensure that we remain competitive in these markets. In support of our new product launches, we have completed consumer research before developing new products to ensure that they are appropriately designed for our target markets. We monitor closely the demand for new products and phase out old product lines. We are actively pursuing growth in selected emerging markets.

New markets and channels of distribution



As we enter new markets and channels of distribution we may achieve lower than anticipated trading volumes and pricing levels or higher costs and resource requirements. This may impact the levels of profitability and cash flows delivered. During the year we continued to increase our online presence by developing our e-commerce activity, and using our platform to promote and distribute partner brands. We have entered new, adjacent markets with the creation of Enterprise Video ("VitecEV"), and the acquisitions of Offhollywood and Wooden Camera. We continue to increase our investment in new innovative products which address the needs of independent content creators.

To mitigate these risks, we have a thorough process for assessing and planning the entry into new markets and related opportunities. This includes marketing and advertising strategies for our products and services. We continuously assess our performance and the related opportunities and risks in these markets. We adapt our approach taking into account our actual and anticipated performance. We review our channels of distribution to make sure that they remain appropriate. Our increased online presence creates IT security and compliance challenges which the Group is addressing.

Acquisitions



In pursuing our business strategy we continuously explore opportunities to enhance our business through development activities such as strategic acquisitions. This involves a number of calculated risks including: acquiring desired businesses on economically acceptable terms; integrating new businesses, employees, business systems and technology; and realising satisfactory post-acquisition performance. In 2016 we acquired Provak (Manfrotto Distribution Benelux), Offhollywood and Wooden Camera. These acquisitions are performing to plan.

We mitigate these risks by having a clear acquisition strategy with a robust valuation model. Thorough due diligence processes are completed including the use of external advisers where appropriate. The post-acquisition performance of each business is closely monitored and a plan is developed to integrate the acquired businesses in an effective way.

Pricing pressure



Vitec provides premium branded products and faces a number of competitors. The strength of this competition varies by product and geographical market. In 2016 we continued to see price pressure by low cost entrants to the market. In addition, there was continued price pressure in broadcast services as major broadcasters continue to manage their budgets tightly.

To mitigate this risk, we ensure that our product and service offering remains competitive by investing in new product development and in appropriate marketing and product support, and by improving the management of supply chain costs. This, and working closely with our suppliers and managing our expenses and cost base appropriately, allows us to support price increases when required. We are rationalising our product range to reduce complexity which will also allow us to achieve some cost savings on production. Most of our products and services have a premium or niche differentiation which commands a price point that is higher than that of the competition.

Dependence on key suppliers



We source materials and components from many suppliers in various locations and in some instances are more dependent on a limited number of suppliers for particular items. If any of these suppliers or subcontractors fail to meet the Group's requirements, we may not have readily available alternatives, thereby impacting our ability to provide an appropriate level of customer service. Our overall dependence on key suppliers has increased as a result of the Group's decision to reduce its costs by outsourcing some manufacturing and assembly activities.

To address this risk we aim to secure multiple sources of supply for all materials and components and develop strong relationships with our major suppliers. We review the performance of strategically important suppliers and outsourced providers globally on an ongoing basis. Where economical we look to source materials closer to the manufacturing facilities to reduce lead times and improve control over the supply chain.

Specific Risk

Dependence on key customers



While the Group has a wide customer base, the loss of a key customer, or a significant worsening in their success or financial performance, could result in a material impact on the Group's results. As in previous years, Vitec has no customer that accounts for more than 10% of revenue. The business works with a variety of customers on large sporting events and the extent of these activities varies year-on-year.

People



We employ around 1,700 people and are exposed to a risk of being unable to retain or recruit suitable diverse talent to support the business. We manufacture and supply products from a number of locations and it is important that our people operate in a professional and safe environment.

Laws and regulations



We are subject to a comprehensive range of legal obligations in all countries in which we operate. As a result, we are exposed to many forms of legal risk. These include, without limitation, regulations relating to government contracting rules, taxation, data protection regimes, anti-bribery provisions, competition, and health and safety laws in numerous jurisdictions around the world. Failure to comply with such laws could significantly impact the Group's reputation and could expose the Group to fines and penalties. We may also incur additional cost from any legal action that is required to protect our intellectual property. Although there are no specific issues arising in the near term, recent political developments in the US and Europe may have implications for several areas of regulations including but not limited to: the customs and import tariffs our businesses will be subject to; corporation tax rates; employment laws and regulations; and other business regulation.

Reputation of the Vitec Group



Damage to our reputation and our brand names can arise from a range of events such as poor product performance, unsatisfactory customer service, and other events either within or outside our control.

Exchange rates



The global nature of the Group's business means it is exposed to volatility in currency exchange rates in respect of foreign currency denominated transactions, and the translation of net assets and income statements of foreign subsidiaries and equity accounted investments. The Group is exposed to a number of foreign currencies, the most significant being the US Dollar, Euro and Japanese Yen. There were significant currency fluctuations affecting Sterling in 2016, reflecting partly the uncertainty caused by the result of the UK referendum on membership of the European Union.

Business continuity



There are risks relating to business continuity resulting from specific events that may impact our manufacturing plants or supply chain, particularly where these account for a significant amount of our trading activity. We are also dependent on our IT platforms continuing to work effectively in supporting our business and therefore there is a cyber security risk for the Group.

Effectiveness and impact of restructuring projects



In 2015/16 we conducted a number of restructuring projects to streamline the business, and to deliver cost savings. There is a risk that the restructuring activity could have been poorly executed and that the objectives might not be achieved. The main restructuring projects are now substantially complete, and have already started to generate year-on-year savings. We have also sold our Bury St. Edmunds site and plan to move these activities to a lean, modern manufacturing facility in the same area in late 2017.

Mitigation

We mitigate this risk by monitoring closely our performance with all customers through developing strong relationships, and we monitor the financial performance of our key customers. We continue to expand our customer base including entering into new channels of distribution to expand our portfolio of customers.

We recognise that it is important to motivate and retain capable people across our businesses to ensure we are not exposed to risk of unplanned employee turnover. We fairly reward our people and have appropriate recruitment, appraisal, talent management and succession planning strategies to ensure we recruit and retain good quality people and leadership across the business. We take our employees' health and safety very seriously and have appropriate processes in place to allow us to monitor and address any issues appropriately.

We address this risk by having resources dedicated to legal and regulatory compliance supported by external advice where necessary. We monitor and respond to developments in the regulatory environment in which our companies operate. We enhance our controls, processes and employee knowledge to maintain good governance and to comply with laws and regulations such as the provisions of the UK Bribery Act 2010. The Group has processes in place, including senior management training, to ensure that its worldwide business units understand and apply the Group's culture and processes to their own operations. We actively protect our intellectual property, and will legally pursue any party that infringes our intellectual property rights.

We manage this risk by recognising the importance of our reputation and attempting to identify any potential issues quickly and address them appropriately. We recognise the importance of providing high quality products, good customer service and managing our business in a safe and professional manner. This requires all employees to commit to, and comply with, the Code of Conduct.

We regularly review and assess our exposure to changes in exchange rates. We reduce the impact of sudden movements in exchange rates with the use of appropriate hedging activities on forecast foreign exchange net exposures. We do not hedge the translation effect of exchange rate movements on the Income Statement or Balance Sheet of overseas subsidiaries. However, the Group does finance overseas investments partly through the use of foreign currency borrowings in order to provide a net investment hedge over the foreign currency risk that arises on translation of its foreign currency subsidiaries.

We address this risk with Business Continuity Plans and Disaster Recovery Plans at our key sites, and by carrying out periodic IT and cyber security vulnerability assessments. We have global insurance schemes in place which provide cover for business interruption.

To address this risk, projects are monitored closely by senior operational management with regular updates provided to the Board. We anticipate that there will be significant year-on-year savings. The status of the restructuring activities and risks relating to these projects are being carefully monitored.

Financial Review

Group Finance Director

Paul Hayes reviews performance



Revenue increased by 18.4% to £376.2 million (2015: £317.8 million) and adjusted operating profit* was 17.2% higher at £41.5 million (2015: £35.4 million). This included a benefit from foreign exchange; at constant exchange rates revenue grew by 4.8% while adjusted operating profit* decreased by 0.3%. Growth in sales of higher technology products and services in new markets where Vitec continues to invest in new product development was offset by anticipated lower activity in some of our more mature markets. The statutory operating profit was £14.5 million (2015: £22.4 million) as a result of these trends and the £12.1 million (2015: £nil) one-off, non-cash impairment of goodwill. At constant exchange rates the Group delivered higher revenue growth on the prior year of 6.3% in the second half of the year in comparison to first half growth of 3.1%.

The Broadcast Division grew revenue by 18.9% to £224.8 million and adjusted operating profit* increased by 3.4% to £21.0 million. There was continued growth in higher technology products including wireless transmitters and receivers, camera monitors and mobile power. Revenue growth includes a £24.1 million benefit from foreign exchange and £3.2 million from the acquisitions of Offhollywood and Wooden Camera. During the year Vitec successfully supported the Rio 2016 Olympics. This was partially offset by the anticipated lower revenue performance of our Haigh-Farr antenna business and a decrease in activity in our US asset rentals business.

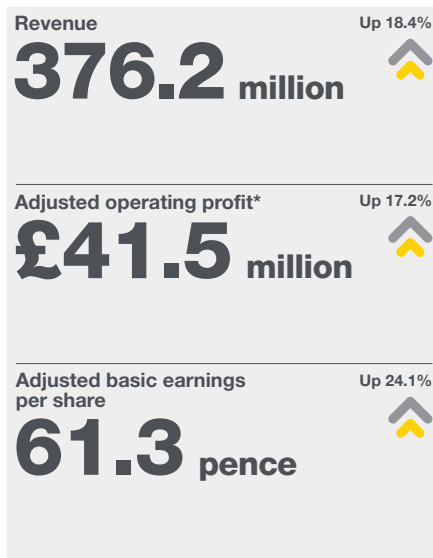
The Photographic Division grew revenue by 17.5% to £151.4 million and adjusted operating profit* increased by 35.8% to £20.5 million. At constant exchange rates adjusted operating profit* was 2.8%

higher than the prior year. Sales benefited from: a number of innovative product launches in the year; the acquisition of our Netherlands distributor, Provak; and favourable foreign exchange. Adjusted operating profit* growth also included the benefit from previous restructuring actions.

Statutory gross margin % at 39.4% was lower than the prior year (2015: 40.6%). Excluding the impact of Haigh-Farr of 40 bps and the US broadcast services business of 120 bps, gross margin % was 40 bps higher than the prior year. This reflects the growth in new technology sales, operational initiatives and acquisitions.

Adjusted operating expenses* were £12.7 million higher than in 2015 at £107.1 million. This mainly reflects an adverse currency impact of £10.0 million, incremental costs from acquisitions and investments in our higher technology businesses to drive future growth. This has been partly offset by restructuring savings. Investment in new product development at £13.4 million (2015: £12.9 million) was broadly in line with the prior year at 4% of Group product sales.

There was a restructuring charge of £5.2 million in 2016 (2015: £4.9 million) relating to the actions announced with our 2015 results. These actions were taken in accordance with our plans, with incremental savings of £5.7 million in the year. The restructuring charge also reflected a £0.7 million gain on the sale of the manufacturing site in Bury St. Edmunds. Consideration of £3.9 million was agreed in January 2016. We plan to vacate the site in late 2017 and move to a lean, modern manufacturing facility in a nearby leased site.



* Before restructuring costs, charges associated with acquisition of businesses and impairment of goodwill, as described on page 03.

† Free cash flow: cash generated from operations in the financial year after net capital exposure, net interest and tax paid.

As expected, there was a net foreign exchange benefit of £6.2 million on our adjusted operating profit* of £41.5 million versus 2015 mainly due to a stronger US Dollar and Euro, particularly in the second half of the year. If exchange rates were to remain at current levels, Vitec would realise a net currency benefit in the first half of 2017 mainly from the translation of its results into Sterling.

Adjusted profit before tax* of £37.5 million was £6.0 million higher than the prior year (2015: £31.5 million). Statutory profit before tax of £10.5 million (2015: £18.5 million) was after £5.2 million of restructuring costs (2015: £4.9 million); £9.7 million charges associated with acquisition of businesses (2015: £8.1 million) and a £12.1 million goodwill impairment charge (2015: £nil) relating to Haigh-Farr and the US broadcast services business. We decided to impair this goodwill to better reflect the fair value of each business in light of recent performance.

Adjusted earnings per share* increased by 24.1% to 61.3 pence per share (2015: 49.4 pence per share). Basic earnings per share were 20.2 pence per share (2015: 29.3 pence per share).

Free cash flow+ of £44.6 million (2015: £16.2 million) is reported after £7.4 million of cash outflows on restructuring actions (2015: £3.5 million). The strong free cash flow+ includes the benefits from working capital management initiatives, including a reduction in inventory of £11.2 million, and the consideration of £3.9 million from the sale of the Bury St. Edmunds site. There was a total cash inflow of £12.8 million (2015: £3.3 million outflow) after investing £20.3 million in acquisitions (2015: £9.0 million), including a £3.0 million final earnout payment on Teradek, and £11.1 million of dividend payments (2015: £10.7 million).

Net debt at 31 December 2016 was £75.1 million (31 December 2015: £76.3 million). At constant currency net debt would have reduced to £63.5 million given a net adverse foreign exchange impact of £11.6 million. The Group's balance sheet remains strong with a year end net debt to EBITDA ratio of 1.2 times (31 December 2015: 1.5 times).

Adjusted operating profit* in 2016 was £6.1 million higher than the prior year. This reflects a favourable foreign exchange impact of £6.2 million, £1.1 million contribution from acquisitions, and incremental savings of £5.7 million from restructuring actions. This was partly offset by investment in our higher technology activities and the impact of lower volumes in Haigh-Farr and our US broadcast asset rentals business. The statutory operating profit of £14.5 million was £7.9 million lower mainly due to the one-off, non-cash impairment of £12.1 million of goodwill (2015: £nil).

Management's estimate of these drivers is summarised in the following table:

Adjusted operating profit* bridge (£ million)		
2015 Adjusted operating profit*		35.4
Decrease in adjusted gross profit* in the year	(1.1)	
Incremental restructuring savings	5.7	
Increase in adjusted operating expenses*	(5.8)	
		(1.2)
Contributions from acquisitions		1.1
Foreign exchange effects:		
- Translation	4.3	
- Transaction after hedging	1.9	
		6.2
2016 Adjusted operating profit*		41.5

Net financial expense

Net financial expense totalled £4.0 million and was broadly in line with the prior year (2015: £3.9 million). Interest payable was £4.2 million (2015: £4.0 million) and was covered 14 times (2015: 13 times) by earnings before interest, tax, depreciation and amortisation.

Profit before tax

Adjusted profit before tax* increased by £6.0 million to £37.5 million (2015: £31.5 million). Statutory profit before tax decreased by 43.2% to £10.5 million (2015: £18.5 million).

Taxation

The effective taxation rate on adjusted profit before tax* was 27% in 2016 (2015: 30%). The Group's tax rate has improved year-on-year and we anticipate that the tax rate will remain around 27% in 2017 supported by reductions in the Italian corporation tax rate. Vitec's tax charge is higher than the UK statutory rate because the majority of our profits arise in overseas jurisdictions with higher tax rates than the UK.

Earnings per share

Adjusted earnings per share* was 61.3 pence per share (2015: 49.4 pence per share). Basic earnings per share was 20.2 pence per share (2015: 29.3 pence per share).

Acquisitions

In January 2016 the Group acquired 100% of the share capital of Manfrotto Distribution Benelux B.V. (formerly Provak Foto Film Video B.V.), based in the Netherlands, through a business combination for a net cash consideration of €1.2 million (£0.9 million). The acquisition complements the Group's owned distribution channels.

In April 2016, the Group acquired the business and some of the assets of Offhollywood Digital, LLC ("Offhollywood"), based in the US, through a business combination for an initial net cash consideration of US\$2.2 million (£1.5 million). Under the terms of the acquisition, there is a potential earnout payment of up to US\$8.0 million that is dependent on performance against demanding gross profit targets over the period to December 2018. Offhollywood provides camera-back modules for RED cameras and other services to a similar customer base to that serviced by the Group's existing higher technology businesses, and its products will be marketed through the Group's global distribution network.

In September 2016 the Group acquired the whole of the share capital of Wooden Camera, Inc. and Wooden Camera Retail, Inc. ("Wooden Camera"), both based in the US, through a business combination for an initial net cash consideration of US\$19.5 million (£14.9 million) after taking account of US\$0.6 million (£0.5 million) of cash in the business at acquisition date. Under the terms of the acquisition, there is a potential earnout payment of up to US\$15.0 million that is dependent on performance against demanding EBITDA targets over the period to December 2018. In 2016 an amount of US\$2.0 million (£1.5 million) was provided for in relation to its performance in 2016. Wooden Camera designs, manufactures and retails directly and online, essential professional camera accessories used by broadcasters and independent content creators. The acquisition complements the Group's existing range of broadcast products. Wooden Camera operates within the Broadcast Division.

We continue to review various bolt-on acquisition opportunities. These will be assessed as to the strategic, commercial and financial benefits that they could provide against acceptable risk parameters.

Financial Review

Restructuring costs

In 2016 there was a restructuring charge of £5.2 million (2015: £4.9 million) relating to actions to streamline operations with lower growth prospects, which we commenced in the second half of 2015. These actions relate predominantly to redundancy costs and have been completed in line with our plans.

The total year-on-year benefit from these restructuring actions to our profitability was £5.7 million (2015: £0.5 million). Cash outflows relating to restructuring were £7.4 million in the year (2015: £3.5 million) in line with expectations.

Charges associated with acquisition of businesses

The 2016 charges relate to the Group's acquisition activities and amortisation of previously acquired intangibles.

The amortisation of acquired intangibles of £7.9 million (2015: £5.4 million) relates to Provak acquired in January 2016; Offhollywood acquired in April 2016; Wooden Camera acquired in September 2016; and other businesses acquired by the Group from 2011 to 2015.

Transaction costs of £0.6 million were incurred in relation to acquisitions (2015: £0.1 million).

Earnout payments of £1.5 million (US\$2.0 million) were accrued during the year to be paid to the previous owners of Wooden Camera in 2017 in relation to the business' performance in 2016. The business has delivered strong growth and has performed ahead of our pre-acquisition expectations.

Impairment of goodwill

We have reviewed the carrying value of the Haigh-Farr goodwill that arose on acquisition of the business in 2011. The long-term opportunities and prospects for this specialist antenna business have been reduced to reflect recent trading activity and the outlook in their niche markets. This has led to a one-off non-cash goodwill impairment charge of £7.9 million to partially impair the carrying value of this investment to £17.0 million.

We have also reviewed the carrying value of the US broadcast services business that has been impacted by a significant downturn in its US asset rentals activity particularly in the second half of 2016. The business made an operating loss in 2016 but delivered a strong cash flow during the year through more cautious investments and by selling non-core assets, and therefore converted a proportion of its balance sheet into cash. The carrying value of goodwill in the balance sheet of £4.2 million that relates to the acquisition of parts of this business acquired prior to 1998 has been fully impaired.

Cash flow and net debt

Cash generated from operating activities was £64.8 million (2015: £41.7 million).

The Group uses a number of key performance indicators to manage cash including the percentage of operating cash flow[†] generated from adjusted operating profit*, the percentage of working capital to sales, inventory days, trade receivable days and trade payable days. Inventory, trade receivable and trade payable days are stated at year end balances; inventory and trade payable days are based on Q4 cost of sales (excluding exchange gains/losses) while trade receivable days are based on Q4 revenue.

The adjusted operating profit* into operating cash flow[†] conversion at 155% for 2016 is high as a result of a number of initiatives enacted in the year particularly around inventory management. Vitec has an established track record in converting adjusted operating profit* into cash with a 97% conversion over the last five years.

The working capital to sales metric has decreased to 15.7% (31 December 2015: 18.9%) and overall working capital decreased by £12.0 million (2015: £5.2 million increase). This reflects a number of initiatives taken across the Group to reduce working capital levels.

Trade receivable days increased to 43 days (2015: 40 days) and remain well controlled with a good ageing profile. On a cash flow basis, trade and other receivables increased by £4.5 million (2015: £0.8 million decrease) on stronger sales in the last two months of the year. The reported carrying value of trade receivables at year end of £50.9 million includes £5.6 million adverse foreign exchange compared to the prior year.

On a cash flow basis, inventory decreased by £11.2 million (2015: £3.0 million increase) to £57.9 million at the year end, reflecting focused initiatives on inventory reduction across the Group. The reported carrying value of inventory at year end includes £9.5 million adverse foreign exchange compared to the prior year. Inventory days decreased to 83 days (2015: 105 days).

Trade payable days decreased to 38 days (2015: 44 days). On a cash flow basis, there was a £5.3 million overall increase in trade and other payables (2015: £3.0 million decrease) including bonus and commission accruals and timing of payments. The reported carrying value of trade payables at year end of £26.8 million includes £3.7 million favourable foreign exchange compared to the prior year.

Capital expenditure, including £3.4 million of software and capitalised development costs (2015: £4.2 million), totalled £16.8 million (2015: £20.6 million), of which £7.1 million (2015: £10.9 million) related to rental assets. This was partly financed by the proceeds from rental asset disposals of £4.1 million (2015: £4.4 million). Overall capital expenditure was equivalent to 0.9 times depreciation (2015: 1.3 times) and included investments in manufacturing processes and production tooling.

We monitor Return on Capital Employed (ROCE), calculated as adjusted operating profit* divided by average total assets less current liabilities excluding the current portion of interest-bearing borrowings. This has increased from 16.3% in 2015 to 17.5% in 2016.

The net tax paid in 2016 of £7.2 million was £1.6 million higher than the £5.6 million paid in 2015 due to the timing of tax payments.

As a result, free cash inflow* increased by £28.4 million to £44.6 million (2015: £16.2 million).

Free cash flow*

	2016 £m	2015 £m
Adjusted operating profit*	41.5	35.4
Depreciation ⁽¹⁾	18.4	16.2
Changes in working capital	12.0	(5.2)
Restructuring costs paid	(7.4)	(3.5)
Other adjustments ⁽²⁾	0.3	(1.2)
Cash generated from operating activities	64.8	41.7
Purchase of property, plant and equipment	(13.4)	(16.4)
Capitalisation of software and development costs	(3.4)	(4.2)
Proceeds from sale of property, plant and equipment and software	9.0	4.7
Interest paid	(5.2)	(4.0)
Tax paid	(7.2)	(5.6)
Free cash flow*	44.6	16.2

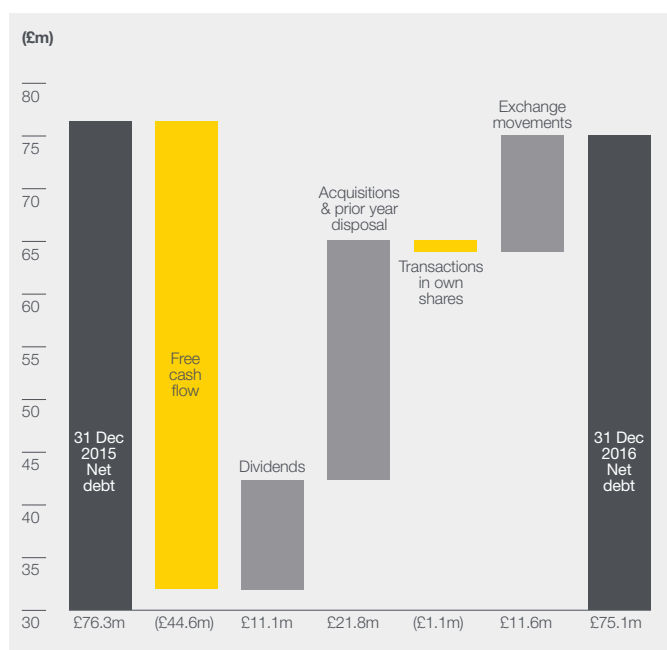
* Before restructuring costs, charges associated with acquisition of businesses and impairment of goodwill, as described on page 3.

† Cash generated from operating activities after net capital expenditure, net interest and tax paid.

‡ Cash generated from operating activities after net capital expenditure, before restructuring costs paid.

⁽¹⁾ Includes depreciation and amortisation of software and capitalised development costs.

⁽²⁾ Includes change in provisions, share based payments charge, gain on disposal of property, plant and equipment, fair value derivatives and transaction costs relating to acquisitions.

Net debt

There was a £20.3 million net cash outflow relating to acquisitions during the year (2015: £9.0 million). There was a net cash outflow in the period of £1.5 million relating to costs provided for on the disposal of IMT in 2014 (2015: £0.7 million).

Dividends paid to shareholders totalled £11.1 million (2015: £10.7 million) and there was a net cash inflow in respect of shares purchased and issued of £1.1 million (2015: £0.9 million). The net cash inflow for the Group was £12.8 million (2015: £3.3 million outflow) which, after £11.6 million adverse exchange (2015: £2.1 million adverse), decreased the net debt to £75.1 million (2015: £76.3 million).

Treasury

Vitec manages its financing, hedging and tax planning activities centrally to ensure that the Group has an appropriate structure to support its geographically diverse business. It has clearly defined policies and procedures with any substantial changes to the financial structure of the Group, or to its treasury practice, referred to the Board for approval. The Group operates strict controls over all treasury transactions including clearly defined currency hedging processes to reduce risks from volatility in exchange rates.

The Group is hedging a portion of its forecast future foreign currency transactions to reduce the volatility from changes in exchange rates. Our main exposure relates to the US Dollar and the table below summarises the contracts held as at 31 December 2016:

Currency hedging

	December 2016	Average rate of contracts	December 2015	Average rate of contracts
US Dollars sold for Euros				
Forward contracts	\$42.3m	1.13	\$47.2m	1.15
US Dollars sold for Sterling				
Forward contracts	\$17.1m	1.37	\$21.0m	1.52

The Group does not hedge the translation of its foreign currency profits. A portion of the Group's foreign currency net assets are hedged using the Group's borrowing facilities.

Financial Review

Financing activities

In July 2016 a new five year £125 million multi-currency Revolving Credit Facility with five relationship banks was agreed to replace the previous £100 million facility. It has a better margin and will expire on 5 July 2021. At the end of December 2016, £48.9 million (2015: £53.9 million) of the facility was utilised.

The Group has a US\$50 million (£40.5 million) private placement facility which has been drawn down in two tranches of US\$25 million each. This financing has a combined fixed interest rate of 4.77% and is due for repayment on 11 May 2017.

The Group therefore has a total of £165.5 million of committed facilities at the year end with drawings of £89.4 million (31 December 2015: £87.6 million).

The average cost of borrowing for the year which includes interest payable, commitment fees and amortisation of set-up charges was 3.9% (2015: 4.1%) reflecting an interest cost of £4.2 million (2015: £4.0 million).

The Board has maintained an appropriate capital structure without exposing the Group to unnecessary levels of risk and Vitec has operated comfortably within its loan covenants during 2016.

Foreign exchange

2016 adjusted operating profit* included a £6.2 million net favourable foreign exchange effect after hedging, mainly due to more favourable £/\$ and £/€ rates when compared to 2015. Should exchange rates remain at current levels, Vitec should continue to benefit to the order of £2.0 million from foreign exchange in 2017.

Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, as published in September 2014 ("the Code"), the Directors have assessed the viability of the Group over a three year period, taking account of the Group's current position and prospects, its strategic plan, risk appetite, and the principal risks and how these are managed. Further details on these items are set out in the Strategic Report on pages 1 to 47.

Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over this period.

In making this assessment, the Directors have considered the resilience of the Group in severe but plausible scenarios, taking into account the principal risks facing the Group as detailed on pages 28 and 29, and the effectiveness of any mitigating actions. The Board reviews these risks in detail throughout the year, and the Audit Committee has a structured programme for the review of risks and mitigating actions. This is explained in more detail on pages 59 to 63.

The Directors' assessment considered the potential impacts of these scenarios, both individually and in combination, on the Group's business model, future performance, solvency and liquidity over the period. Sensitivity analysis was also used to stress test the Group's strategic plan and to confirm that sufficient headroom would remain available under the Group's credit facilities. The Directors consider that under each of these scenarios, the mitigating actions would be effective and sufficient to ensure the continued viability of the Group.

The Directors believe that three years is an appropriate period for this assessment, reflecting the nature of the Group's key markets, the nature of its businesses and products, and its limited order visibility. This timeframe is consistent with reviews undertaken annually by the Board during which the Group and Divisional three year strategic plans are presented for approval.

Dividend

The Directors have recommended a final dividend of 17.3 pence per share amounting to £7.7 million (2015: 15.1 pence per share, amounting to £6.7 million). The final dividend, subject to shareholder approval at the AGM, will be paid on Friday, 19 May 2017 to shareholders on the register at the close of business on Friday, 21 April 2017. This will bring the total dividend for the year to 27.2 pence per share (up 10.6%).

Paul Hayes

Group Finance Director

20 February 2017

The Board and Operations Executive monitor a number of key performance indicators (KPIs), to measure our performance over time. Targets for most KPIs are set annually during our budgetary process and include our strategic priorities:

KPI measure	2016	2015	Definition/Calculation
Growing the business			
Constant currency revenue growth	4.8%	1.3%	% increase in revenue at constant exchange rates
Constant currency adjusted operating profit* growth	(0.3%)	(1.8%)	% increase/(decrease) in adjusted operating profit* at constant exchange rates
Return on sales	11.0%	11.1%	Adjusted operating profit* divided by revenue
Investing in product development	3.9%	4.5%	Total research, development and engineering costs before capitalisation and amortisation of development costs, divided by revenue from product sales
Delivering value to shareholders			
Adjusted earnings per share*	61.3p	49.4p	Profit after tax, before restructuring costs, charges associated with acquired businesses and impairment of goodwill, divided by the weighted average number of shares in issue during the financial year
Total dividend per share	27.2p	24.6p	Sum of interim and final dividend per share in respect of the financial year
Return on Capital Employed	17.5%	16.3%	Adjusted operating profit* divided by average total assets less current liabilities excluding the current portion of interest-bearing borrowings
Managing cash generation			
Operating cash generation	155%	83%	Operating cash# flow divided by adjusted operating profit*
Working capital to sales	15.7%	18.9%	Inventories, receivables and payables at the end of the financial year, divided by annualised Q4 revenue
Inventory days	83 days	105 days	Inventories at the end of the year divided by Q4 cost of sales (before exchange gains/losses) times number of days in Q4
Trade receivable days	43 days	40 days	Trade receivables at the end of the financial year divided by Q4 revenue times number of days in Q4
Trade payable days	38 days	44 days	Trade payables at the end of the financial year divided by Q4 cost of sales (before exchange gains/losses) times number of days in Q4
Safety			
Accident record (number of accidents)	4	5	Number of accidents resulting in greater than three days absence
Environment			
Electricity usage	28.6	34.5	Actual usage in MWh per £million of Group revenue
Gas usage	18.8	23.1	Actual usage in MWh per £million of Group revenue
Water usage	0.06	0.07 ⁽¹⁾	Actual usage in cubic metres per £million of Group revenue

* Before restructuring costs, charges associated with acquisition of businesses and impairment of goodwill, as described on page 03.

Cash generated from operating activities after net capital expenditure, before restructuring costs paid.

⁽¹⁾ The figure for 2015 has been restated following receipt of final invoices for consumption during 2015 that were not available at the time of publication of the 2015 Annual Report.

Corporate Responsibility

Stephen Bird, Group Chief Executive, explains his commitment to a sustainable business to ensure long-term success



Corporate responsibility remains an important area of focus for Vitec. This is reflected by our employees who understand the importance of the right values and behaviours when carrying out their roles at Vitec. It involves dealing with all our stakeholders – including customers, suppliers, shareholders, local communities in which we operate and with our own employees. The values and behaviours of our employees underpin our Business Model (which is set out on pages 24 and 25) to ensure Vitec's long-term success.

The Vitec Mindset

We have a clear purpose that is supported by five values, namely:

To provide vital products and services that enable the capture and sharing of exceptional images.

> Product excellence

Everything we make and do is exceptional

> Customer focus

We are nothing without our customers

> Creative solutions

We are constantly looking to break new ground

> Collaboration

We work better when we work together

> Integrity

What you see is what you get

The Board has overall responsibility for corporate responsibility and considers and approves our key policies, including our Code of Conduct, Environmental Policy and Health and Safety Policy. These policies set a standard for all businesses and employees worldwide. All of these policies are available on our website and are central to our approach on corporate responsibility.

The Board has delegated the coordination of our corporate responsibility efforts to me and, with the Operations Executive and senior management, we focus our efforts on the areas of business ethics, employees, community and charity, and environment. The size of our Group dictates that our approach to corporate responsibility must be flexible and pragmatic, focusing our resources where necessary to comply with legal requirements and to support our purpose. The Board and Operations Executive regularly consider the Group's reputation and measures progress against our corporate responsibility objectives. Examples include: monthly health and safety performance reviews to learn important lessons in this vital area; whistleblowing reports independently investigated, with action taken where necessary; and regular training of employees ensuring the right corporate culture and good governance.

The following pages describe our 2016 corporate responsibility activities organised in the following areas:



page 37

Business Ethics



page 38

Employees



page 42

Community & Charity



page 44

Environment

In 2017, we plan to recommunicate our Code of Conduct to all employees and to our major suppliers and customers to ensure that our supply chain is robust and that there are no reputational issues associated with it. We will undertake further training of our employees in this area to ensure our values are well understood. We will also publish our statement in compliance with the UK's Modern Slavery Act that will confirm our commitment to ensuring that our supply chain is free from matters relating to slavery and human trafficking and reinforces our zero tolerance approach. We will continue our review of health and safety procedures to improve working practices and to ensure a safe and healthy working environment for all our employees and third parties on our sites. We will continue to focus on diversity, talent development and succession planning to ensure we have the best talent and resources to deliver on our strategic objectives. Progress against each of these will be reported on in the 2017 Annual Report.

Stephen Bird

Group Chief Executive



Business Ethics

Our vision

To ensure our employees have a clear understanding of what is expected of them in conducting business in the right way with a common set of values. We expect our business partners to abide by standards that are compatible with our own.

Our approach

Vitec's Code of Conduct sets out our values, beliefs and behaviours and has been communicated to all employees and business partners. We train our employees on key issues including bribery and corruption, inside information, conflicts of interest and good governance, and promote an independent whistleblowing service as a back-up control.



Code of Conduct

Our Code of Conduct ("Code") forms the backbone of our culture, and provides clear guidance to our employees on how they are expected to behave towards colleagues, suppliers, customers, shareholders and on our wider responsibility to the communities within which we operate.

Our Code, which is available on our website, sets out our approach to business integrity including an express prohibition on bribery, kickbacks, and political donations, along with guidance on gifts and hospitality, conflicts of interest, books and records, competition, share dealing, respect for the UN Universal Declaration of Human Rights, compliance with anti-slavery legislation, respect for the individual and privacy, diversity, health and safety, environmental sustainability, business partners and charitable donations.

Our Code has been communicated to all employees including new employees joining the Group and is available on the Group intranet translated into seven languages. In 2016, new employees from businesses we acquired – Provak, Offhollywood and Wooden Camera – were provided with a copy of the Code. All employees are expected to comply with our Code and any violations are reported to local management or the Group Company Secretary for investigation.

Anti-bribery

We have continued with the development of our employees' understanding of anti-bribery and corruption as reflected in our Code. All senior employees within the Group have completed an online training module covering anti-bribery and corruption.

Agents and distributors have formal agreements in place which clearly prohibit bribery and set out our expectation on behaviour and values. We carry out due diligence on major customers and suppliers with a more detailed screening of backgrounds using a third party provider focusing on reputational risk. We have standardised due diligence with a common third party questionnaire and thorough reputational screening. The background screening and due diligence processes in place will support our Slavery and Human Trafficking Statement which will be published in 2017.

Training on Business Ethics



In 2016 we required all of our senior management team to undertake an online training module covering good corporate governance including issues such as share dealing, conflicts of interest, legal duties and other reputational issues. We will repeat such training in future years to ensure that our people are aware of the importance of the right corporate culture.

Whistleblowing service

We operate an independent whistleblowing service in conjunction with EXPOLINK. This enables any employee or third party who feels that the normal reporting channels through line management are not appropriate, to confidentially report on any issues around dishonesty, fraud, bribery, malpractice, bullying, unfair treatment, unsafe working practices or other Code contraventions.

In accordance with a clearly documented procedure, all reports are notified to the Group Company Secretary, the Group Chief Executive and the Chairman of the Audit Committee, and are investigated independently by senior management who are not connected to the report. The outcome of investigations is reported to the Chairman of the Audit Committee. All whistleblowing reports are independently investigated with remedial action taken where necessary.

This service has been communicated to all employees with posters prominently visible at all sites, a letter from the Group Chief Executive and a letter from EXPOLINK explaining the service to ensure that it remains visible and understood. The documents are also available on the Group intranet with all literature and communications translated into several languages. During 2016 there were three whistleblowing reports, all of which were fully investigated. The use of the whistleblowing service confirms that our culture permits employees to raise concerns in a constructive way without fear of recrimination.

We will recommunicate the whistleblowing service to all employees in 2017 to ensure that it remains prominent and understood.



Employees

Our vision

Be a responsible employer providing attractive opportunities for our people to develop.

Our approach

To attract and engage a committed workforce, ensuring diversity and non-discrimination. Vitec is committed to respecting the UN Universal Declaration of Human Rights.



Our people are a key asset for the Group

Our employees are critical to our success. Passionate, motivated and skilled employees in safe working environments directly contribute to our strategy, performance and reputation.

In 2016 we continued to focus time and resources on our employees, including initiatives on subjects such as engagement, wellbeing, working environment, diversity, employee benefits and training.

Our business in Costa Rica was recognised as a “Great Place to Work” in 2016 following an employee survey focused on the areas of credibility, respect, fairness, pride and camaraderie. Continued focus and communication from the local management team resulted in the company being identified as one of the top 50 companies in Central America.

Health and Safety

The provision of a healthy, safe and productive work environment for all of our employees and third parties on our sites is a priority for Vitec, for which all of our management and employees are responsible.

We have continued to impress the need for excellent health and safety procedures in compliance with the Group’s Health and Safety Policy, which is available on our website. This policy sets the Group-wide guidelines for the prevention of accidents and work-related ill-health and provides guidance for the adequate control of health and safety risks arising from work-related accidents. It is an important part of our culture to ensure that all our colleagues are able to work in a safe and secure environment.

All accidents and near misses, whether they result in absence from work or not, are reported, with remedial action identified and implemented to prevent such occurrences in the future. Reporting is prompt and any accident resulting in over three days’ absence is reported to senior management

as well as the Group Chief Executive within 24 hours. Our five year accident record is shown below, which details the number of accidents resulting in over three days’ absence from work across the Group. There were four such accidents in 2016 compared to five in 2015. We are pleased with this reduction but it remains our aim to have no such accidents each year. Each accident has been fully investigated and key issues identified to try to ensure it is not repeated. This process should deliver continued improvement in health and safety across the Group’s operations and we will continue to develop our practices to deliver further improvements in this important area.

Our five year accident record

2016

4 accidents

representing 239 accidents per 100,000 employees
Average number of employees – 1,676

2015

5 accidents

representing 273 accidents per 100,000 employees
Average number of employees – 1,833

2014

1 accident

representing 53 accidents per 100,000 employees
Average number of employees – 1,876

2013

4 accidents

representing 211 accidents per 100,000 employees
Average number of employees – 1,898

2012

6 accidents

representing 288 accidents per 100,000 employees
Average number of employees – 2,085

There have been no work related fatalities since the Group began collating health and safety statistics in 2002.

The Costa Rican manufacturing site received recognition from a government institution, the National Institute of Insurance, for its strong commitment to Health and Safety Management Systems. The institute performed an evaluation at the site, focusing on assessing policies, procedures, common practices, physical conditions and employees’ engagement related to the prevention of accidents and risk mitigation. The 2016 evaluation was made up of 41 manufacturing and services companies with the Costa Rica site receiving two awards. The first, a bronze medal awarded for “Improvements on Safety and Occupational Hygiene Management

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**Employees in
 Costa Rica
 celebrating a
 Great Place
 to Work**



System” and the second, a gold medal awarded to Site Manager Julio Lizano for “Manager’s Outstanding Leadership Prevention Practices”.



The Operations Executive reviews health and safety performance every month, discussing accidents and any incidents of note, remedial actions, sharing best practice initiatives and supporting the Divisions in the management of local health and safety committees and the implementation of regular training activity. The Group Chief Executive updates the Board regularly on health and safety performance by way of monthly reports and verbal updates at Board meetings.

Employees receive training on health and safety procedures that are appropriate to their line of work and environment. This may, for example, involve training in warehouse operations, working at heights, fire safety or more general initiatives to make employees aware of the dangers that can be encountered in the execution of their various duties. Within each business, separate assessment and training appropriate to operations is carried out for health and safety. Employees are regularly reminded of the need to work safely with posters on notice boards at all sites. Our sites in Cassola and Feltre in Italy continue to promote the “Are you working safely?” campaign which provides regular tips and key notes on health and safety subjects.

Health and Safety committees at all major sites hold regular meetings to review safety, ensure that operating practices are safe and address potential safety concerns. At the Photographic Division’s manufacturing sites in Feltre, Italy and Ashby-de-la-Zouch, UK, a procedure has been set up to observe employees’ health and safety behaviour in the workplace. Using an industrial safety management approach, the procedure checks whether employees’ working practices are compliant with standards and procedures related to personal protective equipment, tools, substances, machinery, handling and other activities, and enables feedback to be given to avoid workplace accidents. In 2016 a total of 60,545 work actions were observed at both sites with an average of 99.8% compliance with safe working practices.

The Broadcast Division’s sites in Cartago, Costa Rica and Bury St. Edmunds, UK as well as the Photographic Division’s sites in Cassola and Feltre, Italy, have had their OHSAS 18001 occupational health and safety accreditations confirmed again for 2016. This confirms that the sites operate with a robust health and safety management system, with policies, procedures and controls needed to achieve the best possible working conditions aligned to internationally recognised best practice.

Engagement

We aim to provide our employees with an engaging and stimulating environment where they are encouraged to learn and develop. We communicate with our employees on a regular basis, keeping them informed of business performance at a Group, Divisional and Business Unit level. Reflecting the diverse global nature of our employees we use multiple channels and a variety of media to communicate.

Business overviews, focusing on results and key events, are shared with all employees via annual, global communication videos presented by the Group Chief Executive which are uploaded to the Group intranet. The Group Chief Executive also communicates with employees via regular Group-wide emails. The Group Chief Executive visits our primary sites to meet with all employees and share updates on business performance.

Alongside Group-wide communications, employees receive briefings on performance and business issues on a regular basis from Divisional and Business Unit senior management. This takes the form of internal announcements, meetings with management, regular “town hall” presentations and via the intranet sites. The Production Equipment Business Unit started an employee newsletter in 2016 to disseminate news and employees are encouraged to submit articles for publication.

We continue to use the intranet sites to communicate business news, employee changes and Group policies. The Group website remains a source of information for employees including a section on Working at Vitec for prospective employees to find out about career opportunities throughout the Group.

A number of initiatives to keep employees engaged in the workplace and provide a chance to relax with colleagues were undertaken at sites in the US, UK, Italy and Costa Rica. These included Thanksgiving and Christmas lunches, wellness fairs, on-site massages, meditation coaching, sporting classes and competitions, and cooking contests.



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Children enjoy a healthy eating workshop in the Photographic Division’s canteen in Cassola, Italy

Wellbeing

Good3

The Good3 project, launched in 2011 by the Photographic Division, continued in 2016 with more initiatives undertaken at several sites.

The programme was developed to help employees stay healthy by providing them with training and tools to develop good habits in the areas of diet, exercise and the prevention of illnesses.

Discounted gym memberships for employees at the principal Italian sites of Cassola and Feltre have been extended to include family members. Healthy eating initiatives continue to be promoted with a healthy eating workshop for children hosted in the Cassola canteen, where children learned to prepare and cook simple and nutritious food.

The focus on educating employees to enable them to make healthy decisions is also active within the Broadcast Division. Initiatives include occupational health services and talks, the cycle to work scheme under the Government’s cycle initiative in the UK, annual flu vaccinations, healthy eating, health and safety initiatives, and exercise programmes across the UK, US and Costa Rica.

Work environment

We continue to invest in improving the work environment for our employees, creating contemporary spaces with upgraded technology and communication systems that enable collaboration and personal efficiency. We utilise web-based video-conferencing solutions where possible to facilitate global business meetings.

We have also listened to and responded to our employees’ views. The Photographic Division’s site in Cassola, Italy, opened a canteen in the building, providing hot food on site and using an online ordering system resulting in reduced food waste.

A summer camp programme for employees’ children aged between three and 14 continued in Italy in 2016, helping families with childcare during the school holiday period. Over 40 children enjoyed sporting and cultural activities over a number of weeks. For older children, a workshop was held in Milan to educate them about the world of work after leaving school. Hosted by HR managers from a number of Italian companies, the teenagers learned about CV writing, job interviews and the use of social media in recruitment.

Benefits

We employ around 1,700 employees in ten countries who are managed in accordance with local employment legislation, policies and our organisational values. Attracting the talent we need and retaining their commitment to our organisation in all of the territories we operate in has required the organisation to adopt comprehensive benefits packages, to support our employees and remain competitive in a global market where talent is in short supply.

In the US our employees participate in a consolidated Health Benefits Plan that provides a valued level of healthcare. Employees at the Cassola and Feltre sites in Italy now benefit from the new Benefit Salute health care plan which has

been promoted to provide an increasing number of services in line with our policies in terms of health, welfare and support of the individual employee. Similar plans are offered to employees in other territories.

Employees are also given the option to join pension plans appropriate to local markets. In the UK this involves a Company approved pension plan with minimum employer and employee contributions and in the US a 401k plan. Since April 2014 in the UK, all employees except for those who have expressly opted out, are now in a qualifying pension plan.

All employees in the UK, US, Italy, Costa Rica, France, Germany and Japan, are given the opportunity to join an all-employee Sharesave scheme on an annual basis, enabling the employee to save to purchase shares in the Company at a discounted rate. Employees save a fixed monthly amount of up to £350 (or US\$500 in the US or foreign currency equivalent in other territories) over a fixed term (usually three years but two years in the US) with the option to purchase a fixed number of shares at a discount of up to 20% on the prevailing share price at the time of the offer. Over 600 employees participate in the Sharesave scheme across these territories which represents over 40% of eligible employees able to participate in the scheme. We will continue to offer this valuable benefit to employees annually and will look to extend it to other territories where possible.

The Photographic Division's Italian sites offer employees a Vitec Shopping Card that allows employees to benefit from special prices on food, drink, travel, clothing, sport, cinema and medicine through agreements with local retailers. These discounts of up to 50% help employees to increase their purchasing power.

A Long Service Award programme has been reinvigorated at sites in the UK, US and Costa Rica. On achieving various milestones with the company, ranging from five to 40 years, employees are awarded "points" which can be used to purchase gifts via a website. During 2016, 83 awards were presented by the business unit senior managers at all-employee meetings to publicly recognise these dedicated employees.

Capability and development

Learning and development activity continued to take place in our businesses in accordance with personal development plans, results of annual performance appraisals and organisational need. Talent reviews of senior employees were expanded to include succession planning matrices, to fully understand the organisation's capacity and capability for achieving its strategic plans. The talent reviews and succession planning enable the Operations Executive to create the leadership pipeline for its critical roles and specify the development requirements to be offered to employees. The outcome of the reviews were presented to the Nominations Committee for the most senior employees, allowing the Nominations Committee to have oversight of talent below the Board and assist the Operations Executive in identifying areas of strength and weakness.

The performance appraisal process, in operation in both Divisions, provides the opportunity for the employee to discuss current performance and future potential with their line manager in an objective and positive manner. The development needs identified by the discussions will continue to be used to enhance the global programme of talent development for release more widely across the Group.

After a successful launch in 2015, the Photographic Division's Performance Appraisal ("PA") system continued to be developed for employees during 2016. Along with evaluating the distinctive competencies and skills of each employee, it is now being used to plan training and development activities according to the needs identified during reviews. It enables the business to manage employees' performance in a fair and inclusive way with a structure that is common

across the Division, enabling career development that is aligned to the strategic objectives of the business. All Photographic employees can access the PA system and find induction models on the Divisional intranet. A further project, "Click Potential", has been piloted to support managers in evaluating their team's individual competencies and the results will be used to define development and career paths.

Targeted learning and development activities have continued within the Group's businesses. Manfrotto Distribution in the US continued to offer a Tuition Programme for eligible employees for educational assistance related to the employee's current duties or a foreseeable future position with the company. Within the Photographic Division, Manfrotto's School of Xcellence offers a three day induction programme for all employees called "Shoot and Capture Imaging", to educate employees on photography and videography.

Equal opportunity

Vitec has an equal opportunities culture with an express prohibition on discrimination of any kind. During 2016, results of the Hampton-Alexander Review FTSE Women Leaders were published and the Parker review on Ethnic Diversity was launched, and we have confirmed in our diversity statement, set out on page 53 of the Governance Report and on our website, that we will also take these publications into account in addition to Lord Davies' 2011 review on board gender diversity. The Board has continued to monitor progress on this issue and the Group Chief Executive is responsible for developing diversity throughout the Group. The organisation's gender breakdown as at the end of 2016 was as follows:

	Number of men	% of men	Number of women	% of women
Board	5	71%	2	29%
Operations Executive	9	90%	1	10%
Senior Management	38	88%	5	12%
Rest of organisation	1,103	70%	468	30%

We continue to recognise the importance of diversity throughout our workforce and the human resources teams continue with efforts to attract women to Vitec and encourage them to apply for promotions. To assist with this aim, training was provided to female employees in Costa Rica to develop their skills and to encourage them to consider applying for more senior roles.



Vitec's approach to diversity has always followed a strict policy of sourcing the best person for the role irrespective of race, gender, age, religion, sexual preference or disability. We are keen to develop further the recruitment of talented women to the organisation at all levels and are developing policies and procedures across the Group to achieve this. Recruitment processes have been reviewed to ensure a diverse mix of candidates is reviewed and shortlisted for interviews, where appropriate, with a view to increasing the number of women in senior roles. Flexible working policies have been introduced in all major business units, allowing all employees, regardless of gender, to request flexible working. This is usually granted, unless the needs of the business cannot otherwise be met.

It is Vitec's policy that applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of employees becoming disabled all reasonable effort is made to ensure that their employment within the Group continues. It is our policy that the training, career development and promotion of disabled persons should be, as far as possible, identical to that of all other employees.

We continue to strive to employ a diverse workforce.



Community & Charity

Our vision

Support the communities in which we operate.

Our approach

We support initiatives and projects strongly backed by employees that are relevant to what we do and can be supported for several years.

We have continued to support charitable and community based causes in 2016. The following are a few examples of the good work completed by our employees in the communities within which we operate.

Task Brasil Trust



Apart from delivering a successful 2016 Rio Olympics for the Group, the Production Services Business Unit and its employees raised a significant amount for Task Brasil Trust enabling a donation of over £11,000 to be made. The team visited the charity at "Casa Jimmy" which provides a safe and happy home for young children who are either living on the streets or leading lives of great deprivation and vulnerability in Rio de Janeiro. Some of the Production Services specialists also used their time to produce a video programme about the running of Casa Jimmy. Task Brasil Trust is a charity that was established in 1993 to help the street children of Rio de Janeiro. Following a donation from Jimmy Page of Led Zeppelin the charity established Casa Jimmy.

Leicestershire Cares

In 2016 the team at Manfrotto UK developed a relationship with a local organisation called Leicestershire Cares which brings businesses and local communities together through employee volunteering. Members of the team participated in interview technique days with four local schools which involved conducting mock interviews and giving feedback to students to help them prepare for future interviews. Work experience placements were also offered to local schools.

Earthquake initiatives

In light of the devastating earthquakes in both Japan in April 2016 and Central Italy in August 2016, employees in both countries gathered donations to benefit charities that assisted with the relief efforts. The team in Japan donated over £2,000 to the Japanese Red Cross whilst efforts across the Photographic Division as a

whole raised over £5,700. The team in Italy also collaborated with a supplier in Fabriano, Italy, to create a Christmas card. The town of Fabriano was selected as the area is renowned amongst publishers, writers and artists for its high quality paper and our employees wanted to help local artisans whose activities had been severely affected by the earthquakes.

Continuing education support

The Broadcast Division's site based in Bury St. Edmunds continued its support of the William & Ellen Vinten Trust with an employee providing a dedicated resource to the trust, supporting local schools with initiatives on an ongoing basis. The Bury St. Edmunds site also provided a five week work experience placement for a local student, helping to promote the company as a local employer.

The Broadcast Division's site in Costa Rica donated tools to local technical schools to support the development of technicians in gaining skills required to support the business. The team in Costa Rica also created a supplier development programme to help improve the capabilities of their suppliers and build long-term relationships, including offering training courses in technical topics.

Local community donations

Across the Group, each local business makes efforts to support local community projects. These are many and varied and focus on local community projects. Examples include the following:

The Broadcast Division's site in Cartago, Costa Rica continues to support the community including sponsoring the local Red Cross Committee, a local nursery and completing sponsored walks to raise funds for the local hospital. Employees also volunteer their time at a centre for teenagers.

In 2016 the Group head office in Richmond made a donation of £2,000 to Shine Cancer Support in support of a colleague who had benefited from Shine's resources during the year. The Broadcast Division's Bury St. Edmunds site raised £1,000 for two local charities, St Nicholas Hospice and Henry's Holidays, through a Christmas raffle. The Division's sites in the US also made donations to local charities including St Vincent's Special Needs, Shelton Gazebo Fund, Oxford Youth Basketball League and Camerata D'Amini.

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An exhibition of the final Picture of Life images at the Festival Italiano del Volontariato in Lucca, Italy



Picture of Life

The Photographic Division's Picture of Life educational photography programme continued in 2016. It is aimed at young people who have experienced difficult upbringings and who are looking for a chance to gain a professional qualification. The 2016 programme was developed to include the following organisations: Jonathan Charity, Naples; NYC Salt Organisation, US and Aike-Dellarco art gallery, Shanghai. The main subject for participants in 2016 was "Invisible Cities" with the final images displayed in several photography exhibitions.

The Picture of Life project won the AIF award for Ethics and Corporate Social Responsibility in Italy in 2016. The award recognised the positive effect of the project not only on young people, but the important messaging it conveyed.



Environment

Our vision

To ensure our decision making and operations are mindful of the environment while enhancing our competitiveness.

Our approach

We are creating a culture that adopts technologies, materials and processes to ensure we minimise our impact on the environment.



Vitec's products and processes

We continue to implement initiatives aimed at sustaining and protecting the environment, in the areas of research and development, production, packaging and waste disposal.

Our products and services have a low impact on the environment. We use low hazard materials, minimise the use of resources during the manufacturing process and search for materials that are sustainable and can be recycled and reused. Our efforts and environmental awareness have continued to evolve, not only to comply with regulations but also to make our business better. By putting in place an environmental management system we are reducing operating costs and business risks, while ensuring sustainability.

Vitec's green practices

As part of our commitment to responsible business practices, we have continued initiatives aimed at reducing energy, paper and water use, encouraging recycling and proper waste disposal, and promoting a culture of sustainability among our employees.

We monitor and track our usage of electricity, gas and water across our manufacturing, warehouse and administrative sites and make efforts, where possible, to reduce our usage both to reduce costs and the impact on the environment.

Many buildings within the Group have timer and motion sensors for lighting to save on electricity usage. Other buildings have programmable thermostats that are centrally managed to optimise the building's heating and cooling needs.

The electricity contracts with Green Certificates at the Italian sites were renewed in 2016 for a further three years, confirming the commitment to use energy generated by renewable sources.

The Photographic Division's sites in Cassola and Feltre in Italy had their ISO 14001 status confirmed in 2016 whilst the Broadcast Division's site in Costa Rica had its ISO 14000 status confirmed in 2016 showing that these operations have designed and implemented effective environmental management systems.

Employees in Italy participated in an environmental awareness initiative called the "Green to Work week", during which employees were encouraged to consider alternative ways to get to the office, either using public transport, cycling or car sharing. Healthy food was promoted in the canteen and employees could win "green" products for participating. Similar initiatives are run elsewhere in the Group including recycling campaigns and reduction of usage of consumables. Employees and their families from the Costa Rica site took part in a tree planting day in celebration of Earth Day to help support and protect their local environment.

Our electricity, gas and water usage in 2016 and 2015

Electricity (MWh)



Gas (MWh)

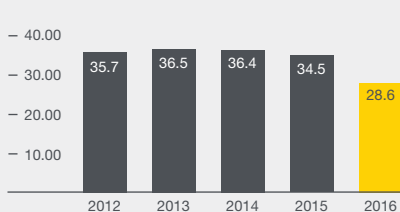


Water (cubic metres, thousands)

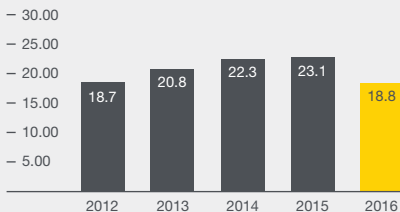


Our electricity, gas and water usage based on usage per £million of Group revenue

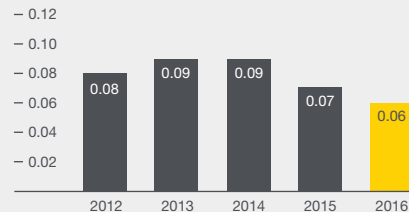
Electricity (MWh / £m Group revenue)



Gas (MWh / £m Group revenue)



Water (cubic metres, thousands / £m Group revenue*)



*The figures for 2015 have been re-stated following receipt of final invoices for consumption during 2015 that were not available at the time of publication of the 2015 Annual Report.



In accordance with the Greenhouse Gas Emissions (Directors Reports) Regulations and the requirement to report on greenhouse gas emissions, we have developed processes to accurately capture and report all material Scope 1 and 2 emissions as defined by the Greenhouse Gas protocol as of 31 December 2016. We have applied the financial control basis for our reporting boundary. These emissions have been recorded at 21 of our operating sites in the 12 months to 30 September 2016, and arise from on-site energy use and any fugitive emissions, and transport from owned vehicles. We have identified these major operating sites as the material sites for the Group for this requirement as it covers our principal sites:

Feltre, Italy; Bury St. Edmunds, UK; Cartago, Costa Rica; Burbank, US; Ashby-de-la-Zouch, UK; Irvine, US; and Shelton, US. These sites account for over 95% of the Group by revenue. We have excluded our smaller sites as their size and scale of operations are not material with respect to their Scope 1 and 2 emissions.

Our most significant emissions arise from the use of electricity which makes up all our Scope 2 emissions. Approximately two thirds of our Scope 1 emissions arise from the use of natural gas with the remainder mostly arising from transport fuel. All of our emissions have been calculated using the latest Defra conversion factors available at <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2016>.

Greenhouse Gas Emissions for the period from 1 October 2015 to 30 September 2016 (Tonnes of CO₂ equivalent)

	2016	2015
Scope 1 emissions	1,709	1,599
Scope 2 emissions	4,353	4,458
Total gross emissions	6,062	6,057
Total carbon emissions per £m of Group revenue	16.1	19.1

We have selected a reporting date of 30 September each year to enable accurate data to be collated to compile the Greenhouse Gas Emissions disclosure in time for inclusion in this Annual Report. We have conducted an internal review to check the completeness and accuracy of the reported data.

Potential areas of saving have been identified in our larger production sites in the UK, Italy and Costa Rica. These include energy efficient lighting, staff awareness, regular maintenance programmes, optimisation of machinery and equipment switch off, and optimisation of control around air conditioning. Associated capital requirements and payback periods will be assessed as opportunities arise to identify the best opportunities to pursue, balancing the need to deliver on other business priorities in 2017 and beyond.

Board of Directors



John McDonough

CBE, BSc (Eng) & ACGI



Stephen Bird

MA



Paul Hayes

M.Eng & Man, ACA



Martin Green

MA, MBA, ACCA

Role			
Chairman	Group Chief Executive	Group Finance Director	Group Business Development Director
Appointed			
15 March 2012 (Chairman from 1 June 2012)	14 April 2009	13 June 2011	4 January 2017
Nationality			
British	British	British	British
Age			
65	56	50	48
Committee membership			
Nominations (Chairman)	Nominations	-	-

Skills & experience

John is also Chairman of Vesuvius plc, a Director of Cornerstone Property Assets Ltd and Sunbird Business Services Ltd and a Trustee of Team Rubicon UK. John was most recently Group Chief Executive of Carillion plc from January 2001 to December 2011. He was previously a Non-Executive director of Tomkins plc from June 2007 to September 2010, where he was also Chairman of the Remuneration Committee, and Excel plc from February 2004 to December 2005. Prior to Carillion, John worked for Johnson Controls and Massey Ferguson. He was awarded a CBE in 2011 for services to Industry.

Stephen is currently a Non-Executive Director and the Senior Independent Director of Dialight plc. He was formerly a Non-Executive Director of Umeco plc. Previously he was Divisional Managing Director of Weir Oil & Gas, part of Weir Group plc. Prior to this he worked in senior roles at Danaher Corporation, Black & Decker, Unipart Group, Hepworth PLC and Technicolor Group.

Paul was previously Group Financial Controller at Signet Jewelers Limited (formerly Signet Group plc) between 2007 and 2011. Prior to that, he held a senior role at RHM plc from 2004 to 2007, through its flotation in 2005 and subsequent sale to Premier Foods plc. Paul was with Smiths Group plc for over ten years from 1993, including a number of divisional and operating company finance director roles. He is a Chartered Accountant having qualified with EY, and has a first class Masters degree in Mechanical Engineering, Manufacture & Management. Paul has resigned and will be leaving the Board in April 2017.

Martin has been with the Group since April 2003 in a variety of roles, most recently as Group Development & HR Director. Previously he held corporate development positions at Bunzl plc, at a broadcast equipment rental business and worked in investment banking at N M Rothschild. He trained and qualified as a solicitor with Linklaters & Alliance in the UK, is a Certified Accountant and has an MBA from Cranfield School of Management.



Caroline Thomson
 BA and D.Univ



Christopher Humphrey
 BA, MBA, FCMA



Lorraine Rienecker
 B.Eng, MBA



Mark Rollins
 B.Eng, ACA

Role	Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director, Senior Independent Director
Appointed	1 November 2015	1 December 2013	1 December 2013	2 October 2013
Nationality	British	British	British	British
Age	62	59	53	54
Committee membership	Audit Nominations Remuneration (Chairman)	Audit (Chairman) Nominations Remuneration	Audit Nominations Remuneration	Audit Nominations Remuneration

Skills & experience

Caroline is currently Chair of Digital UK, a Non-Executive Director of CN media group, Deputy Chair of NHS Improvement, a Director of London First, a Non-Executive Director of UKGI and Chair of its Remuneration Committee, and a trustee of Tullie House Gallery in Cumbria. She recently retired as Executive Director of English National Ballet. Until September 2012 Caroline was Chief Operating Officer at the BBC, serving 12 years as a member of the Executive Board. Caroline received an honorary doctorate from York University in 2013 and was made an honorary Fellow of the University of Cumbria in 2015. She is a member of the Council of the University of York, a Fellow of the Royal Television Society and a trustee of The Conversation.

Christopher is a Non-Executive Director of SDL PLC and AVEVA Group plc. He was formerly Group Chief Executive Officer of Anite plc, holding that position from 2008 until August 2015. Previously he was their Group Finance Director between 2003 and 2008. He has held senior positions in finance at Conoco, Eurotherm International plc and Critchley Group plc. He was previously a Non-Executive Director of Alterian plc between 2011 and 2012. He is a Chartered Management Accountant and a Fellow of CIMA.

Lorraine is currently President, Meggitt Customer Services & Support, having previously held the role of Executive Vice President, Strategy, Sales & Marketing at Meggitt plc, with increasing responsibilities including commercial and shared after-market operations from 2005 to 2014. Previously she was Director of Strategy & Planning at BAE Systems and Marconi Electronic Systems (GEC) between 1998 and 2002 and has held several other senior roles at Booz Allen & Hamilton and Bombardier. Lorraine was made a Fellow of the Royal Aeronautical Society in April 2015.

Mark was Chief Executive of Senior plc until 1 June 2015, being appointed to that position in March 2008. He joined Senior plc in 1998 from Morgan Crucible plc, and became Group Finance Director in 2000. He is currently a Non-Executive Director of Tyman plc and Non-Executive Chairman of Sigma Components Ltd. He was formerly a Non-Executive Director of WSP Group from 2006 to 2012. He is a Chartered Accountant and holds a degree in Engineering.

Corporate Governance

Chairman John McDonough, CBE responds to questions on Vitec's corporate governance



Key focus during 2016:

- 1) Strategy review
- 2) People
- 3) Technology
- 4) Operations

I am pleased to introduce my governance report for 2016 which I hope enables readers to understand our culture and governance. Under my Chairmanship, the Board is responsible to all Vitec's stakeholders for the continued successful operation of the Group to ensure its long-term success through the implementation of our strategy. Culture and governance are vital in underpinning this success.

Were there any Board changes in 2016?

There were events affecting the Board's composition in 2016 that I should highlight. Caroline Thomson joined as a Non-Executive Director and Chairman of the Remuneration Committee in late 2015 and during 2016 she undertook a thorough induction with a focus on remuneration matters, successfully leading the Remuneration Committee through a change of advisor, the redrafting of the remuneration policy, and a shareholder consultation. In November 2016 Paul Hayes informed the Board of his intention to resign as Group Finance Director. Paul will be leaving the Board in April 2017 to take on a new executive role and we are actively searching for a new Group Finance Director.

On 4 January 2017 we announced the appointment of Martin Green as an Executive Director. Martin is the Group Business Development Director and has responsibility for business development particularly focusing on APAC and opportunities in the Creative Solutions businesses as well as his responsibility for corporate development and HR. Martin is an excellent addition to the Board and his appointment reflects his importance in the development of the Group and the delivery of our growth strategy.

Martin has wide commercial experience and an in depth knowledge of the Group having been an employee for over 13 years.

How does the Board set the right culture and tone from the top?

We strongly believe in doing business in the right way. Our Code of Conduct sets out our expectations around behaviours and is given to all employees and is available to all our stakeholders including customers and suppliers. The Vitec Mindset sets out our values which remain unchanged and can be found on page 14. Health and safety is an absolute priority for our businesses with management focused on safe working conditions and accurate reporting of any near misses and accidents along with root cause investigations. Reports are provided to the Board on a monthly basis to track incidents and remedial actions taken as necessary. To further demonstrate the importance of good governance, we launched a governance training module to around 60 of our senior managers in 2016, giving them a deeper understanding of their roles and responsibilities as senior employees and reinforcing our approach to governance matters.

The Board and Operations Executive visited a number of our sites in 2016 to meet with employees, share key messages and promote the right culture and behaviours across our businesses. The right business culture and tone from the top can only be promoted with proactive steps and leadership. The Board will continue to visit our operations and meet with our people in 2017 to further embed this.

What has the Board done in terms of strategy and its implementation?

During 2016 the Board undertook a detailed review of the Group's strategy and this is set out in Stephen Bird's Group Chief Executive's Review. The strategy review involved both support and constructive challenge to each major business at an off-site location involving all of the senior management team. Coupled with this, the Board visited operations in and around New York including the newly acquired Offhollywood business, the Photographic and Broadcast offices and a major customer's retail store. The Board has further communicated with shareholders on strategy and business priorities including results presentations, a Capital Markets Day and several one-to-one meetings with major shareholders to hear first-hand their views on the strategy and business performance.

Does the Board have the right structure and skills, and which directors will be standing for reappointment at the AGM?

Throughout 2016 the Board comprised seven directors including myself as Chairman, four independent Non-Executive Directors and two Executive Directors. We further strengthened the Board with the appointment of Martin Green as Group Business Development Director and are actively recruiting a new Group Finance Director following Paul Hayes' decision to leave. I believe we have the right sized Board with the correct balance of skills given the scale of our operations. Each Director has skills in the areas of strategy, finance and technology to assist with the implementation of our strategy. They also enhance our diversity in terms of gender, professional and global experience. Three of our Non-Executive Directors are currently working, or have recently worked, in other international companies, ensuring they have relevant and current global commercial experience.

All Directors, with the exception of Paul Hayes, will stand for reappointment at the 2017 AGM and their biographies are set out on pages 46 and 47.

Is the Annual Report fair, balanced and understandable?

The Board has considered the Governance Code requirement and it confirms that the Annual Report taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, and has retained this power for itself. To achieve this we asked the Executive Directors and the Operations Executive to provide us with clear documentary evidence around the content and process of the 2016 Annual Report at our February 2017 Board meeting. The February 2017 Audit Committee confirmed to us that: the 2016 financial statements are true and fair; the work of the external auditor was effective; and the process supporting the Viability Statement was robust. As a consequence we are able to confirm that the 2016 Annual Report taken as a whole is fair, balanced and understandable through reliance on management and knowledge of the following processes:

- a detailed planning stage including drafting guidance and coordinated project management;
- a verification process dealing with the factual content of the Annual Report;
- comprehensive reviews undertaken at different levels in the Group that aim to ensure consistency and overall balance; and
- a comprehensive review by the senior management team.

Has the Group complied with the UK Corporate Governance Code?

My governance review has taken into account the Governance Code as published in September 2014, and explains how we applied its main principles. I confirm that the 2016 Annual Report is drafted in full compliance with the latest version of the Governance Code published in April 2016, including its supporting principles and provisions. Each was complied with throughout 2016, as required by the Listing Rules.

Leadership

How do you lead the Board and how are decisions made by the Board?

The Board is responsible to shareholders for the creation and delivery of sustainable performance and long-term shareholder value. There are separate roles for each member of the Board and we have agreed a clear division of responsibilities between the Chairman and Group Chief Executive. Full details of our respective roles and responsibilities can be found on our website.

It is my responsibility to manage the Board, ensuring its effectiveness in all aspects of its role. I work closely with the Group Chief Executive and Group Company Secretary to achieve this by ensuring that all Directors: are kept advised of key developments; receive accurate, timely and clear information; and actively participate in the decision making process. Board agendas are reviewed and agreed in advance to ensure each Board meeting utilises the Board's time most efficiently. I encourage all Board members to openly and constructively challenge the proposals made by executive management led by the Group Chief Executive. I ensure that each Director properly exercises the power vested in them and in accordance with the Company's Articles of Association, relevant law and any directions as provided by the Company in general meeting. Apart from the remuneration of Directors or Directors' fees there were no instances when a Director had to abstain from voting on a matter due to a conflict of interest during 2016. The Board has a clear policy for dealing with any such conflicts or potential conflicts of interest.

How does your role interact with the Group Chief Executive?

The Group Chief Executive is responsible for managing the business. The Operations Executive supports the Group Chief Executive in this duty, the members of which are shown on page 15. The Group Chief Executive and I have an excellent working relationship, meeting and speaking regularly outside of scheduled Board meetings to discuss strategy and performance, and to ensure that Board meetings cover relevant matters. Our relationship and regular dialogue helps to underpin the working of the Board, providing an open forum in which matters are discussed openly and robustly.

Who is the Senior Independent Director?

Mark Rollins is the Senior Independent Director. Mark led the evaluation of my performance as part of the internal Board evaluation and met with major investors. Information on the outcome of my evaluation is provided later in this report.

What is the Board responsible for?

The Board has a Schedule of Matters Reserved to it which includes: consideration and development of the Group's strategy; setting of annual operating budgets; regular review of progress against strategy and budgets; financial results; dividends; changes in Board composition including key roles; acquisitions and disposals; material litigation; capital structure; risk management strategy; and various statutory and regulatory approvals. The Board meets regularly to receive updates on business performance and consider proposals within its remit. The Schedule of Matters Reserved to the Board is available on our website.

What are the Board's Committees responsible for?

The Board has delegated certain items of business to its principal Committees. I feel it is appropriate to ensure the Board has sufficient time to deal with strategic matters while retaining oversight on salient points by virtue of its Committees. The Board's three principal committees are the Audit, Remuneration and Nominations Committees. Each Committee operates under clear terms of reference, copies of which are available on our website. Each Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties and to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference. Each Committee, at least once a year, reviews its own performance, constitution and terms of reference to ensure it is operating effectively and recommends any changes it considers necessary to the Board for approval. Each Committee's responsibilities and activity in 2016 are set out later in this report.

What did the Board do in 2016?

The Board dealt with a diverse range of matters during 2016. At each scheduled meeting the following standing items are considered:

- Directors' duties and conflicts of interest
- Minutes of previous meetings and matters arising
- Progress against agreed Board objectives
- Reports from the Group Chief Executive, Group Finance Director, Group Company Secretary and Group Business Development Director on key aspects of the business including health and safety, current trading, strategy, acquisitions and disposals, financial results, governance, HR and legal matters including litigation
- Performance against KPIs

There were six scheduled Board meetings and one short notice Board meeting in 2016. In addition to the standing items, the following is a summary of the material items considered at each meeting in 2016.

February (held in Richmond, UK)

- Annual Results, including review and approval, where appropriate, of:
 - Principal risks and mitigation
 - Report on going concern and Viability Statement
 - Final dividend recommendation
 - Full year results announcement for the year ended 31 December 2015
 - 2015 Annual Report including an assessment that the Report was fair, balanced and understandable
 - Notice of AGM
 - Management Representation letter
- Recommended the reappointment of KPMG LLP as auditor
- Update on Group strategy including post-acquisition reviews of the SmallHD and Paralinx businesses
- Update on the renegotiation of the Revolving Credit Facility
- Property update relating to the Bury St. Edmunds site

May (held in central London, UK)

- AGM briefing
- Trading update (including reforecast of 2016 performance)
- Update on Group strategy
- Update on the renegotiation of the Revolving Credit Facility and the overdraft facility
- Investor relations update from Investec
- Update on property matters

June (held in New York City, US)

- Visited Photographic and Broadcast businesses and key customer
- Reviewed presentations on Group and business unit strategies including associated risks, mitigations and risk appetite
- Approved capital expenditure requests for new products
- Update on the renegotiation of the Revolving Credit Facility
- Reviewed the Group's 2016/17 insurances
- Process and timing of the 2016 internal Board evaluation
- Sharesave offer to employees
- Update on the Market Abuse Regulations

August (held in Richmond, UK)

- Half year results, including review and approval, where appropriate, of:
 - Principal risks and mitigation
 - Report on going concern
 - Interim dividend
 - Half year results announcement for the period ended 30 June 2016
 - Management Representation letter
- Update on Group strategy including acquisitions, actions from the strategy review held in June, a review of strategic KPIs and a capital markets event to be held in late 2016
- Reviewed the reforecast of 2016 performance
- Completion of the renegotiation of the Revolving Credit Facility
- Approved a capital expenditure request for a new product
- Renewed tenures of three Non-Executive Directors
- Update on property matters
- Presentation from Rothschild on strategic matters

September (short notice meeting held by phone)

- Considered and approved the acquisition of Wooden Camera

October (held in Richmond, UK)

- Update on Group strategy including a review of competitors and an update on actions from the strategy review held in June
- Strategy presentations from the Creative Solutions and Enterprise Video Business Units
- Reviewed the reforecast of 2016 performance
- Received an update on Group synergies
- Approved a capital expenditure request relating to the prompting business
- Presentation on the Group's tax structure
- Update on progress with the internal Board evaluation

December (held in Richmond, UK)

- Approved the 2017 budget
- Update on Group strategy including feedback on the capital markets event, a research and design project tracker and a review of strategic KPIs
- Update on property matters
- Outcome of the 2016 internal Board evaluation and approved 2017 Board objectives
- Reviewed Board governance arrangements and key policies
- Reviewed the Chairman's and Non-Executive Directors' fees
- Update on pension matters relating to the UK's Defined Benefit and Defined Contribution schemes

Did all Directors attend meetings in 2016?

Details of Directors' attendance at Board and Committee meetings is shown in the table on page 54. I confirm that all Directors attended each scheduled Board meeting and the one called at short notice. When any Director is unable to attend they continue to receive the necessary papers and I contact them in advance of the meeting to obtain their views and decisions on the proposals to be considered.

Did the Board visit any of the Group's sites during the year?

During June 2016 the Board visited the Photographic and Broadcast Division's operations on the east coast of the US. They also visited the newly acquired business of Offhollywood along with a major customer's store. The visits included updates from management teams on market trends, product development, innovation and operations. The Board was given a demonstration of new products, including those still under development. At the customer store the Board was able to view the Group's products alongside competitors'. The Board intends to hold a meeting at an overseas business each year to deepen their knowledge and understanding of the Group. Each Director is encouraged to visit our operations at their own convenience to further build on their understanding of the Group.

Did the Board get together outside of scheduled meetings, including Non-Executive Director only meetings?

We continue to spend time together outside of Board meetings to learn not only about the business but each other's skills and personalities, which helps facilitate effective and constructive Board and Committee meetings. We hold a dinner for the Board around each scheduled meeting to enable Directors to informally discuss current business matters. It also gives an opportunity for the Operations Executive, other senior management or external advisors to attend to give updates on trading, markets or wider industry matters. This is a very useful and effective format.

At least twice a year we also hold Non-Executive Director only meetings, scheduled around the February and August Board meetings. These enable the Non-Executive Directors to raise any issues without executive management present. In my role as Chairman I feed back to the Executive Directors on these discussions and take any actions necessary to address matters raised.

How is the Board supported by executive management?

As part of the wider governance framework it is important to explain the Operations Executive, which is the Group's executive committee, chaired by the Group Chief Executive. The Operations Executive meets regularly to discuss ongoing business performance and enables the Group Chief Executive to manage the business with his direct reports. I receive an update from the Group Chief Executive on any salient matters resulting from each meeting. The members of the Operations Executive are set out on page 15.

I was pleased to welcome members of the Operations Executive to a number of Board and Committee meetings during 2016, along with the Group Risk Assurance Manager, Group Financial Controller, Group Head of Tax and a number of product specialists from each Division, each of whom provided the Board with technical knowledge about different parts of the business. Their attendance allows the Board to directly question senior management responsible for the business and to gain a better understanding of their respective technologies, products and customers. We will continue to welcome members of the Operations Executive and other senior management to Board and Committee meetings in the future.

Effectiveness

How do you measure the effectiveness and performance of the Board?

Your Board has remained stable throughout 2016 with no changes in individuals. This allowed us to work together in an open and collegiate manner. The Board annually sets itself clear objectives and monitors progress against each throughout the year. I believe the Board has the right skills, talent and diversity to effectively deliver the Group's agreed growth strategy. The Board rigorously challenges itself on delivery of strategy, financial performance measured against budgets, governance and operational performance issues.

Are the Non-Executive Directors independent?

Each of the Non-Executive Directors bring independent character and judgement to bear on strategic matters, the performance of the Group, the adequacy of resources and standards of conduct. The Board considers that Christopher Humphrey, Lorraine Rienecker, Mark Rollins and Caroline Thomson are independent in accordance with the recommendations of the Governance Code. Each of these Non-Executive Directors' tenure on the Board is less than four years and I lead the process of ensuring that each year the performance of each Director is objectively appraised. Each Director is also required to declare any conflict of interest arising on any matter and I confirm that no such conflicts arose in 2016. Each Director brings a complementary set of skills and diversity to the Board, having served in companies of varying size, complexity and market sector. When combined, these skills give your Board the comprehensive skill set required to deliver the strategic objectives of the Group and to ensure its continued success.

Do new Directors receive an induction?

On appointment, we provide each Director with a tailored and extensive induction to the Group. An induction programme for a new Non-Executive or Executive Director would include: meeting all the Board members individually, the Operations Executive and key external advisors; receiving briefings on each area of the business; and visiting the Group's principal operations in the UK, US and Italy. Presentations on the products and services we offer and how each business operates in its chosen markets and segments, along with the internal governance processes and procedures that exist to support our operations would be given. To gain a better understanding of the Group externally, meetings would be arranged with the Group auditor, KPMG, and corporate advisors including Investec, Slaughter and May, Kepler and MHP. Each induction process is tailored to the individual. Following the induction process, each Director is encouraged to continue visiting the Group's operations as their schedule permits.

Does the Board receive ongoing training?

Ongoing training for new and existing Directors is available at the request of the Director. Each Director receives details of relevant training and development courses from both the Group Company Secretary and from the Company's appointed advisors. The requirement for training is discussed at meetings of the Board and Committees and I ensure that each Director has the required skills and knowledge to enable them to operate efficiently on the Board. The Group Company Secretary maintains a register of training undertaken by Directors to facilitate this discussion. During the year the Board collectively received training sessions on product technology, investor relations, Market Abuse Regulation, cyber security issues, and the broadcast and photographic markets. The Board regularly receives written updates on governance, regulatory and financial matters as they are published.

What if a Director needs to take independent external advice?

All Directors, having notified me in the first instance, are able to take independent professional advice at the Company's expense in furtherance of their duties. During 2016 no Director felt the need to take such advice. They also have access to the advice and services of the Group Company Secretary, who is responsible for advising the Board, through myself, on all governance matters.

How do you ensure that Board meetings run effectively?

Working with the Group Chief Executive and Group Company Secretary, I ensure that the Board receives papers for consideration so that it gives all Board members adequate time to read, prepare and, where appropriate, ask questions prior to the meeting about the information supplied. The information includes detailed budgets, forecasts, strategy papers, reviews of the Group's financial position and operating performance, and annual and half yearly reports. Each Board member receives a detailed monthly report from

the Group Chief Executive, Group Finance Director, Group Company Secretary, Group Business Development Director, and Group Legal Counsel, plus a Health and Safety Report covering the ongoing performance of the business. The Board receives further information from time to time as and when requested.

All meetings of the Board and its Committees are minuted by the Group Company Secretary or the Deputy Company Secretary. In the first instance, minutes are reviewed by the Chairman of that meeting before being circulated to all Directors in attendance and then tabled for approval at the next meeting.

What is the Board's policy on appointing Directors?

Under the Company's Articles, the Board has the power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board, subject to a maximum number of 15 Directors. Any Director so appointed shall hold office only until the next AGM and shall then put himself or herself forward to be reappointed by shareholders.

The Chairman and the other Non-Executive Directors are appointed for an initial period of three years which, with the approval of the Nominations Committee and the Board, would normally be extended for a further three years. If it is in the interests of the Company to do so, appointments of Non-Executive Directors may be extended beyond six years, with the approval of the Nominations Committee, the Board and the individual Director concerned. Under the Company's Articles, each Director is required to stand for annual reappointment at every AGM. The table below sets out the Chairman's and Non-Executive Directors' appointment dates and scheduled renewal of terms.

The annual renewals of terms for a Non-Executive Director will take into account ongoing performance, continuing independence and the needs and balance of the Board as a whole.

Chairman or Non-Executive Director	Appointment date	First renewal of term	Second renewal of term	Annual renewal of term post two three year terms
John McDonough (Chairman)	15 March 2012	15 March 2015	15 March 2018	Annually from 15 March 2019 onwards
Mark Rollins	2 October 2013	2 October 2016	2 October 2019	Annually from 2 October 2020 onwards
Christopher Humphrey	1 December 2013	1 December 2016	1 December 2019	Annually from 1 December 2020 onwards
Lorraine Rienecker	1 December 2013	1 December 2016	1 December 2019	Annually from 1 December 2020 onwards
Caroline Thomson	1 November 2015	1 November 2018	1 November 2021	Annually from 1 November 2022 onwards

What is the Board's policy on diversity?

The Board considers the issue of diversity for every appointment. As part of this the Board has adopted a policy on diversity as set out below:

Vitec recognises the importance of a fully diverse workforce in the successful delivery of its strategy. The effective use of all the skills and talents of our employees is encouraged and this extends to potential new employees. It is essential that the best person for the job is selected regardless of race, gender, religion, age, sexual orientation, physical ability or nationality. Vitec is fully committed to equal opportunity where talent is recognised. The Board will keep under regular review the issue of diversity including at Board level, senior management level and throughout the entire workforce, taking into account among other things Lord Davies' review Women on Boards, the Hampton-Alexander review FTSE Women Leaders and the forthcoming Parker review on Ethnic Diversity. We will report upon this issue annually in our Annual Report.

The Employees section of the Corporate Responsibility Report contains further information on diversity, including the disclosure of gender diversity statistics in accordance with the requirements of the Companies Act 2006.

What format did the Board's evaluation take in 2016?

For the last two years we have completed internally facilitated Board evaluations, as part of our three year cycle around internally and externally facilitated evaluations. The output from the 2015 evaluation assisted in the Board's 2016 objective setting, which is reported on later in this section. This output, along with feedback from the strategy review held in June 2016, fed into the format of 2016's internal evaluation, and helped to shape the questions and analyse progress made during the year. We will conduct an externally facilitated evaluation of the Board and its Committees in 2017.

Four areas were covered by the 2016 process:

- Evaluation of the performance of the Board by each Director
- Evaluation of the performance of Board Committees by each Committee member
- Evaluation of the Non-Executive Directors by the Chairman
- Evaluation of the Chairman led by the Senior Independent Director taking into account the views of the Board

The Board evaluation took the following process:



The Group Company Secretary and I agreed the format of the evaluation, which required Directors to, both objectively and subjectively, evaluate the performance of the Board, Board Committees, progress against strategy, monitoring performance, leadership, succession planning, customers, markets, technology, culture and corporate governance, taking into account the balance of skills, experience and knowledge of the Group by each Director. I followed up with meetings with each Director on the content of completed evaluation forms, allowing for a discussion to take place around any areas for improvement. Mark Rollins, as Senior Independent Director, coordinated the process for my evaluation.

What was the outcome of the 2016 evaluation?

At our December meeting we considered the outputs that had been identified. I am pleased to report that all Board members considered that the Board, its Committees and individual Directors performed effectively during 2016, both individually and as a collective unit. Non-Executive Directors demonstrated a willingness to devote sufficient time and effort to understand the Company and its businesses, and provided independent, rigorous and constructive challenge on strategy and operational performance. The processes, governance and controls around the Board and its Committees were effective and robust.

Each Director was asked to report on three key items for the Board to focus on during 2017. As in previous years these key items have been incorporated into the Board's agreed objectives for 2017 and will focus on the areas of: Group strategy; succession planning for the Executive Directors and senior management team; talent development; technology, customers and competitors; governance and culture; operational efficiencies; and trading performance. The Board will track progress against each during 2017 and I will report to you on these objectives in the 2017 Annual Report.

Each of the Board Committees were reviewed with individual outputs and actions created. As with the Board, the output helped set the 2017 objectives that will be reported on by each Committee in the 2017 Annual Report. For the Audit Committee, 2017's focus will be on: reviewing the risk management of strategic objectives; a successful induction of a new Group Finance Director; receiving regular training on financial and governance changes, including oversight of the whistleblowing arrangements and the risk management of third parties; and oversight of treasury arrangements and tax strategy. The Remuneration Committee's objectives for 2017 include ensuring the new remuneration policy is aligned to Group strategy, takes into account best practice and receives shareholder support at the 2017 AGM; ensuring remuneration structures for senior management are appropriate and aligned to delivery of our Group strategy; reviewing the performance of the remuneration advisor following the 2017 AGM; ensuring 2017 LTIP awards are made with appropriately stretching performance conditions; and supporting the recruitment of a new Group Finance Director with an appropriate remuneration package.

Finally, my review led by Mark Rollins highlighted that I have a good relationship with the Group Chief Executive, Board members and major shareholders, and my performance was rated highly by every Board member.

Corporate Governance

How did the Board perform against the 2016 Board Objectives?

The Board set itself several objectives for 2016. These are summarised below with an assessment of performance against each.

2016 Board Objectives	Progress during 2016
Ensure that Executive Director succession planning is regularly discussed, talent development processes for senior roles are in place, the Board has visibility of senior management, and key man retention plans are in place for specific roles to support delivery of strategy	<ul style="list-style-type: none"> Received regular updates on talent and succession planning for Executive Directors and senior management roles across the Group Met with a number of senior employees during visits to operations in the US, during the strategic review and at the capital markets event Reviewed incentive proposals for roles below the Operations Executive
Develop understanding and knowledge of underlying and emerging technologies, along with customers and their technology needs	<ul style="list-style-type: none"> Received presentations from product specialists within the business on existing and developing technologies Attendance at trade shows such as Photokina and NAB along with the capital markets event Visited a major customer as part of the strategic review Considered capital expenditure requests for new products and acquisitions
Evaluate current strategy and ensure it is fit for purpose based on changing markets and customer needs, monitor progress of strategy against KPIs, continue to oversee acquisition strategy, and ensure development of the Creative Solutions Business Unit	<ul style="list-style-type: none"> Received regular updates from each Division on progress against their strategic plans with Divisional and Business Unit senior management attending several Board meetings Two separate presentations from the Creative Solutions Business Unit and a detailed business plan from the Enterprise Video Business Unit Undertook detailed strategic review, identified key areas concerning strategy and agreed programme for ongoing review Regular review of strategic KPIs Completed acquisitions of Provak, Offhollywood, Xume and Wooden Camera Reviewed corporate action opportunities Post-acquisition reviews of SmallHD and Paralinx
Develop detailed understanding of operations ensuring operations are optimised, aligned with future strategy and deliver improved financial performance	<ul style="list-style-type: none"> Regular presentations from business units covering operational matters Presentation from Group Finance Director on synergies across operations and back office functions Site visits to the US to allow for oversight of operations
Review and determine content of the Viability Statement to be published in the 2015 Annual Report	<ul style="list-style-type: none"> Received recommendation from the Audit Committee on the draft Viability Statement Reviewed detailed stress testing in support of the three year period covered by the Viability Statement Approved publication of the final version of the Viability Statement in the 2015 Annual Report
Closely monitor current financial performance and recommend actions as appropriate	<ul style="list-style-type: none"> Received regular updates from the Group Chief Executive and Group Finance Director on current trading Approved content of full and half year announcements and trading updates Reviewed quarterly reforecasts of 2016 performance Considered and implemented restructuring initiatives

Performance evaluations of each of the Executive Directors also took place against achievement of specific personal objectives, the detail of which can be found in the Remuneration Report in respect of the outcome of their 2016 annual bonus.

Directors' Attendance table for 2016

	Board		Audit		Remuneration		Nominations	
	Scheduled	Short notice	Scheduled	Short notice	Scheduled	Short notice	Scheduled	Short notice
Number of meetings	6	1	4	-	5	1	2	1
Directors								
John McDonough	6	1	-	-	-	-	2	1
Christopher Humphrey	6	1	4	-	5	1	2	1
Lorraine Rienecker	6	1	4	-	5	1	2	1
Mark Rollins	6	1	4	-	5	1	2	1
Caroline Thomson	6	1	4	-	5	1	2	1
Stephen Bird	6	1	-	-	-	-	2	1
Paul Hayes	6	1	-	-	-	-	-	-

What is the purpose of the Nominations Committee?

The Board has appointed the Nominations Committee to oversee the composition of the Board (including skills, knowledge, experience and diversity), senior executive recruitment and succession, and the process for appointments of Directors.

Current Committee members are set out below and all served throughout 2016.

Chairman	Members
John McDonough	Stephen Bird Christopher Humphrey Lorraine Rienecker Mark Rollins Caroline Thomson

What did the Nominations Committee do in 2016 and what are its plans for 2017?

During 2016 the Nominations Committee focused its attention on executive management, receiving presentations on talent development and succession planning for the Executive Directors, Operations Executive and senior management. Following the resignation of Paul Hayes in November 2016, the Committee is managing the search process for his successor and will make a recommendation on this to the Board in due course. The Committee also recommended the appointment to the Board of Martin Green as an Executive Director, which was announced on 4 January 2017. In 2017 the Committee will focus further on succession planning and talent development for the direct reports of the Executive Directors and those roles one further level down the organisation.

What is the process for the appointment of a new Director?

Once the Board has identified the need for a new Director, the Chairman would, except where the search relates to his role, engage the support of an external executive search consultant where necessary to facilitate the search. The Chairman would work with the consultant to draft a clear brief on the role, skills and personal attributes that the Board was looking for, taking into account Board diversity, and follow this up with a search process to identify suitable candidates. Initial interviews would be held with candidates with both the Chairman and the Group Chief Executive, where appropriate, following which a shortlist would be created taking into account the skills of each candidate and perceived fit with the Board and senior management. Following further meetings a preferred candidate would be chosen and each member of the Board would then meet with or speak to the preferred candidate individually to ensure that a person with the right skills, diversity and dynamic fit with the Board was appointed. This same process would occur whether the role was executive or non-executive in nature. However, should the search be for the role of Chairman, it would be conducted by the Senior Independent Director with the support of the Board. Subject to the outcome of each search, a formal recommendation on an appointment is made by the Nominations Committee to the Board for approval.

The Nominations Committee engaged with The Zenith Partnership at the end of 2016 and has begun a process in respect of the recruitment of a Group Finance Director. We will report further on this in 2017.

Does the Board have the right mix of Directors?

I am confident that we have the necessary mix and balance of skills, personalities and diversity on the Board to meet the challenges the Group faces, deliver on strategy, monitor ongoing performance and exercise good corporate governance. During 2016 each Board member assessed the current mix of the Board and skills of directors to identify potential areas for improvement. This will help support the recruitment of new Directors as we move forward. The recruitment of the Group Finance Director will take into account the current mix of the Board and the need to ensure continued diversity of experience and background. I will remain mindful of the need to have the right balance on the Board and future Board changes will take this into consideration. The Nominations Committee will continue to monitor Board structure and succession plans, including talent and succession plans of senior management below Board level.

Nominations Committee activities during 2016

At each main meeting the Committee considers:

- Directors' duties and conflicts of interest
- Minutes of previous meetings and matters arising

The Committee had two scheduled meetings and one short notice meeting in 2016 and covered the following matters:

May

- Reviewed Board succession planning

October

- Received an update on senior management talent and succession planning

December (called at short notice)

- Received an update on the recruitment of a new Group Finance Director
- Considered a proposal on the appointment of a new Executive Director

What is the purpose of the Remuneration Committee?

The Board has delegated to the Remuneration Committee the setting of a remuneration framework for the Company's Group Chief Executive, other Executive Directors and members of the Operations Executive. An overview of the work completed by the Remuneration Committee during the year is set out in the following table. The Remuneration Committee is chaired by Caroline Thomson and comprises exclusively independent Non-Executive Directors. The Chairman, Group Chief Executive, Group Finance Director, Group Business Development Director and Group Company Secretary have all been invited to attend meetings throughout 2016.

The Remuneration Report for the year ended 31 December 2016 on pages 64 to 85 provides an introduction from the Committee Chairman. It sets out the Group's remuneration policy for Executive and Non-Executive Directors which will be put to shareholders for approval at the 2017 AGM and gives full details of Executive and Non-Executive Directors' remuneration during 2016.

Current Committee members are set out below and all served throughout 2016.

Chairman	Members
Caroline Thomson	Christopher Humphrey
	Lorraine Rienecker
	Mark Rollins

Remuneration Committee activities during 2016

During 2016 the Remuneration Committee had six meetings, five of which were scheduled and one of which was short notice. At each scheduled meeting the Committee considered the following matters:

- Directors' duties and conflicts of interest
- Minutes of previous meetings and matters arising
- Reviewed progress against objectives

The following specific business was dealt with at each meeting held in 2016:

February

- Approved the 2015 Remuneration Committee Report
- Approved the outcome of personal objectives for Executive Directors for 2015 and agreed Executive Directors' 2016 objectives
- Approved the outcome of 2015 Annual Bonus Plan and confirmed financial targets for 2016 Annual Bonus Plan
- Approved the outcome of performance conditions tied to 2013 LTIP and DBP awards
- Approved 2016 awards to be made under the LTIP and DBP
- Reviewed a proposal on the incentivisation of the Creative Solutions Business Unit
- Agreed to tender the services of the Committee's remuneration advisor

May

- Presentation from shortlisted advisor as part of the tender process for remuneration advisor
- Presentation on gender pay reporting in the Group's main countries of operation
- Update on the incentivisation of the Creative Solutions Business Unit
- Agreed the treatment of the acquisition of Offhollywood in respect of the 2016 Annual Bonus Plan and LTIP

June

- Approved the appointment of Kepler as remuneration advisor

August (called at short notice)

- Reviewed an initial draft of the new remuneration policy

October

- Approved shareholder consultation that would take place on the new remuneration policy
- Agreed the treatment of the acquisition of Wooden Camera in respect of the 2016 Annual Bonus Plan and LTIP

December

- Approved the outcome of 2016 objectives and set 2017 objectives
- Reviewed update of the new remuneration policy and communication with shareholders
- Update on indicative outcome for the 2016 Annual Bonus Plan
- Approved proposed salary increases for 2017 for the Executive Directors and Operations Executive
- Approved the structure of the 2017 Annual Bonus Plan
- Considered draft personal objectives for Executive Directors for 2017

How did the Remuneration Committee monitor its performance?

The Remuneration Committee set itself several objectives for 2016, the detail and progress against which is shown in the table on the following page. The Remuneration Committee has set itself objectives for 2017 and will report on progress against these in the 2017 Annual Report.

2016 Remuneration Committee Objectives	Progress during 2016
Ensure 2015 Remuneration Report approved by shareholders at the 2016 AGM and continued engagement with shareholders on remuneration matters	<ul style="list-style-type: none"> • 2015 Remuneration Report compliant with regulations and received over 99% support on the advisory resolution at the 2016 AGM
Draft a new Remuneration Policy aligned to Group strategy and undertake consultation with key investors dependent on any material changes to executive remuneration packages	<ul style="list-style-type: none"> • Policy prepared including introduction of ROCE underpin to LTIP, rebalance of performance conditions with an increased proportion based on EPS growth and a reduced proportion based on TSR, and a reduction of pension contribution to future Executive Directors • Consultation with major shareholders undertaken • Policy to be submitted for approval at 2017 AGM
Ensure thorough induction process for new Committee Chairman, ensuring knowledge of all stakeholders' views and that executive remuneration crafted to drive right behaviours and performance	<ul style="list-style-type: none"> • Induction included meeting several major shareholders, particularly focusing on a new remuneration policy • Meeting with remuneration advisors and appointing new advisor, Kepler • Visited all of the Group's major sites to enhance knowledge of business operations and to meet senior management
Review policy around performance conditions for long-term incentives for participants below the Operations Executive	<ul style="list-style-type: none"> • Policy reviewed and performance conditions on the same basis as awards made to Executive Directors deemed appropriate for awards made in 2016
Continue to monitor performance of Remuneration Committee advisor in supporting the Remuneration Committee, particularly in advance of drafting a new remuneration policy	<ul style="list-style-type: none"> • Tender process completed and Kepler appointed as the new remuneration advisor

Accountability

How does the Board oversee internal control and risk management?

The Board has delegated responsibility to the Audit Committee for oversight of the Group's system of internal controls to safeguard shareholders' investments and the Company's assets. As part of its responsibility, the Audit Committee formally reviews the effectiveness of the Group's internal controls twice a year. There are systems and procedures in place for internal controls that are designed to provide reasonable control over the activities of the Group and to enable the Board and Audit Committee to fulfil their legal responsibility for the keeping of proper accounting records, safeguarding the assets of the Group and detecting fraud and other irregularities. This approach provides reasonable assurance against material misstatement or loss, although it is recognised that as with any successful company, business and commercial risks must be taken and enterprise, initiative and the motivation of employees must not be unduly stifled. It is not our intention to avoid all commercial risks and commercial judgements in the course of the management of the business.

The Board has adopted a risk-based approach to establishing the system of internal controls. The application and process followed by the Board in reviewing the effectiveness of the system of internal controls during the year were as follows:

- Each business unit is charged with the ongoing responsibility for identifying the risks it faces and for putting in place procedures to monitor and manage those risks.
- The responsibilities of senior management at each business unit to manage risks within their businesses are periodically reinforced by the Operations Executive.
- Major strategic, operational, financial, regulatory, compliance and reputational risks are formally assessed during the annual long-term

business planning process around mid-year. These plans and the attendant risks to the Group are reviewed and considered by the Board.

- Large financial capital projects, property leases, product development projects and all acquisitions and disposals require advance Board approval.
- The process by which the Board reviews the effectiveness of internal controls has been agreed by the Board and is documented. This involves regular reviews by the Board of the major business risks of the Group, together with the controls in place to mitigate those risks. In addition, every business unit conducts a self-assessment of its internal controls. Every year, the results of these assessments are reviewed by the Group Risk Assurance Manager who provides a report to the Group Finance Director and the Chairman of the Audit Committee. The Board is made aware of any significant matters arising from the self-assessments. The risk and control identification and certification process is monitored and periodically reviewed by Group financial management.
- A register of risks facing the Group, as well as each individual business, and an evaluation of the impact and likelihood of those risks is maintained and updated regularly by the Group Risk Assurance Manager. The Group's principal risks and uncertainties and mitigation for them are set out on pages 28 and 29 of this Annual Report.
- The Board has established a control framework within which the Group operates. This contains the following key elements:
 - an organisational structure with clearly defined lines of responsibility, delegation of authority and reporting requirements;
 - defined expenditure authorisation levels;
 - an operational review process covering all aspects of each business conducted by Group executive management on a regular basis throughout the year;

- a strategic planning process identifying key actions, initiatives and risks to deliver the Group's long-term strategy; and
- a comprehensive system of financial reporting including weekly flash reports, monthly reporting, quarterly forecasting and an annual budget process. The Board approves the Group budget, forecasts and strategic plans. Monthly actual results are reported against prior year, budget and latest forecasts and are circulated to the Board. These forecasts are revised where necessary but formally at least once every quarter. Any significant changes and adverse variances are reviewed by the Group Chief Executive and Operations Executive and remedial action is taken where appropriate. Group tax and treasury functions are coordinated centrally. There is regular cash and treasury reporting to Group financial management and monthly reporting to the Board on the Group's tax and treasury position.

This system has been in place for the year under review and up to the date of approval of the Annual Report.

The Group's internal audit function, led by the Group Risk Assurance Manager, conducted a number of internal audits and additional assurance reviews during 2016, the details of which were presented to the Audit Committee. The audits included reviews of the appropriateness and effectiveness of controls within the Group including, but not limited to: purchasing and payments; sales and cash collection; inventory management; accounting and reporting; and IT processes. An internal audit plan for 2017 has been prepared and agreed with the Audit Committee.

What publications has the Board reviewed in consideration of compliance with internal control and risk matters?

The Board considers that this report accords with the Financial Reporting Council's ("FRC") Guidance on Risk Management, Internal Control and related Financial and Business Reporting, as issued in 2014, and has reported against the recommendations in this Annual Report.

Relations with shareholders

How does the Board ensure it has a continued dialogue with its major shareholders?

Maintaining regular contact with our shareholders remains an important part of our activities and is fundamental to good corporate governance. During 2016, the Group Chief Executive and Group Finance Director held face-to-face meetings with each of our major shareholders tied into the publication of our full year and half year results. I also met with several major shareholders in 2016 to discuss the Group's strategy, governance and remuneration matters. In November 2016 we held a Capital Markets Day for our major shareholders showcasing our strategy and Caroline Thomson, as Chairman of the Remuneration Committee, met with several major shareholders as part of the process of developing the Remuneration Policy Report that will be put to shareholders for approval at the 2017 AGM. In addition, Mark Rollins as Senior Independent Director met with a major shareholder during 2016. We aim to ensure that our business, strategy, governance and remuneration policies are clearly understood and that any concerns are addressed through constructive engagement.

How does the Board use the AGM to communicate with all shareholders?

I was pleased to meet some of our shareholders at the 2016 AGM and look forward to meeting shareholders again at the 2017 AGM. This offers an opportunity for you to meet with our Directors and to hear more about the Group's strategy. Shareholders are encouraged to attend the AGM and to ask questions about the business. The Group Chief Executive gives a short business update to the AGM. I confirm that all Board members will attend the forthcoming AGM, including each of the Committee Chairmen. Details of the AGM are included in the Notice of Meeting that accompanies this Annual Report and which is available on our website.

How do shareholders vote at the AGM?

All resolutions are voted on by way of a poll. This reflects best practice and ensures that all the views of all shareholders who submit proxy forms are taken into account in terms of the actual voting at the general meeting. The outcome of the voting at the AGM will be announced by way of a Stock Exchange announcement and full details will be published on the Company's website shortly after the AGM. At the 2016 AGM, 75% of our shares were voted by way of proxies submitted. Separate resolutions are proposed for each substantive issue upon which shareholders are asked to vote.

Shareholders attending the AGM have the opportunity to ask questions at the meeting. In the event that a resolution is opposed by a significant proportion of shareholders, the Company will endeavour to explain, as soon as practically possible following the meeting, the actions it intends to take to understand shareholders' concerns and how best to address the concerns being raised. The Board considers that a vote in excess of 20% of shareholders to be significant.

What about other types of shareholder communication?

We publish an Annual Report each year usually in March following the end of the financial year on 31 December. To allow shareholders to review the Annual Report in advance of the AGM and create an informed view of the Group, we comply with the requirement set out in the Governance Code in respect of shareholder meetings to send the Notice of Meeting and related papers at least 20 working days before the meeting and we will continue to comply with this requirement. The Board communicates with its shareholders via a combination of public announcements through the London Stock Exchange, analyst briefings, roadshows and press interviews at the time of the announcements of the half year and full year results and, when appropriate, at other times in the year.

Regular updates from the Executive Directors at Board meetings keep the Board advised of the views of major shareholders. We also receive monthly reports on market and investor sentiment along with a full shareholder analysis.

Our website contains information on the Group including financial results, presentations, investor relations and products and services. Shareholders and other stakeholders are encouraged to view the website to receive up-to-date information about us.

John McDonough CBE

Chairman

20 February 2017

Corporate Governance

Report from Christopher Humphrey, Chairman of the Audit Committee



The Audit Committee is responsible for ensuring the effective financial integrity of the Group through the regular review of its financial processes and performance. It is also responsible for ensuring that the Group has appropriate risk management and internal controls, and that internal and external audit processes are robust. I will explain the Committee's activities in more detail in my report.

The Audit Committee at the date of this report comprises four independent Non-Executive Directors. During 2016 the members were:

Chairman	Members
Christopher Humphrey	Lorraine Rienecker Mark Rollins Caroline Thomson

The Audit Committee provides effective governance over external financial reporting, risk management and internal controls and reports its findings and recommendations to the Board. As Chairman of the Audit Committee, I am pleased to report on the operations of the Committee during the past year, with emphasis on the specific matters we considered, including compliance with the Governance Code and associated Guidance on Audit Committees. We fully comply with the requirements of the Governance Code as issued in September 2014 along with forthcoming changes as set out in the April 2016 version of the Governance Code.

What qualifications and skills do you possess as Audit Committee Chairman?

2016 was my second year as Chairman of the Committee, having been appointed on 12 May 2015. The Board believes I continue to have the necessary recent and relevant financial experience, along with financial competence, as required by the Governance Code. I am a Chartered Management Accountant and a Fellow of CIMA, and most recently held the role of Chief Executive Officer and previously Group Finance Director of Anite plc, formerly a UK listed company. In my earlier career I held senior positions in finance at Conoco, Eurotherm International plc and Critchley Group plc. I continue to maintain an up-to-date understanding of financial and corporate governance knowledge and best practice by attending training sessions and updates presented by major accounting firms. The Board also considers that the other members of the Committee have a broad range of appropriate skills and experiences covering financial, commercial and operational matters, along with competence of the manufacturing and technological aspects of the industry in which Vitec operates, and their biographies are summarised on pages 46 and 47.

What did the Committee do in 2016?

In 2016 I chaired the four scheduled meetings of the Committee and I work closely with the Group Finance Director, Group Risk Assurance Manager and Deputy Company Secretary to ensure the Committee is provided with the necessary information it requires to discharge its duties. We operate with a rolling agenda programme, taking into account our terms of reference (which can be found on our website), the Group's annual reporting requirements and any other matters which arise on an ad-hoc basis. The Committee sets aside appropriate time for the review of financial reporting and the risk assurance process to ensure they both receive robust consideration and challenge. A priority in 2016 was to ensure the transition to a new KPMG Audit Partner and I am pleased to report this was completed effectively. Full details of the work we completed during 2016 is set out in the table on page 63.

How do you keep on top of matters outside meetings?

I meet regularly with the Group Finance Director and KPMG Audit Partner to provide necessary support to their roles, and also individually with the Group Risk Assurance Manager to discuss the findings of his work and to maintain an open line of communication.

How did the Committee review the effectiveness of KPMG?

During the year we formally assessed the effectiveness of the external auditor, KPMG. With the appointment of Adrian Wilcox in May 2016, we focused the review on his and his team's performance during the 2016 year end process, acknowledging that this was the first audit where Adrian was the partner. We received a written report from the Group Risk Assurance Manager which summarised the results of an initial formal review of the effectiveness of KPMG. This was based on conversations held with key finance employees who had interaction with KPMG during the 2016 external audit. This covered the planning and execution of the audit, level of challenge and detailed work completed by the KPMG audit teams. We will supplement this initial review of the process following the year end which will cover areas such as: leadership and team structure; planning, approach and scope; execution and processes; risks; communication; independence and objectivity; adding value; and cost effectiveness.

The results of the initial review were shared with KPMG and allowed the Audit Committee to conclude that the KPMG audit process was robust, effective and in accordance with auditing standards. We also took into account publications made by the FRC, including the Audit Quality Practice Aid for Audit Committees as published in May 2015. These provided the Committee with comfort that an external and independent review of the quality of KPMG's overall audit work had taken place. As a result, we recommend the reappointment of KPMG as auditor of the Company at the 2017 AGM. A separate resolution for the approval of the auditor's remuneration will be put to shareholders at the 2017 AGM. We will report on the outcome of the more detailed review of KPMG in next year's Annual Report.

Was the Company subject to any reviews by the FRC during 2016?

The Company was not subject to any FRC reviews during 2016. Should this occur in future, we will advise shareholders in the subsequent Annual Report.

How has the Committee assessed the content of the Annual Report?

As already explained by the Chairman, the Board takes responsibility for determining that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy. At the request of the Board, the Audit Committee concentrated its review of the full year results on the financial statements only and the process which underpinned the drafting of the Viability Statement. The process for determining content of the financial statements and the Viability Statement was reviewed by the Audit Committee who recommended to the Board at its meeting on 16 February 2017 the adoption of the financial statements as at 31 December 2016 and that they provide a true and fair view of the financial performance of the Group.

What were the significant accounting issues considered by the Committee?

The Committee considered several significant accounting issues, matters and judgements in relation to the Group's financial statements and disclosures for the year ended 31 December 2016. As part of the half year and full year reporting process, management present an accounting paper to the Committee, and the external auditor is asked to also comment on the key significant areas of accounting judgement and disclosure. The information presented is used by the Committee to critically review and assess the key policies and judgements that have been applied, the consistency of policy application from year to year and the appropriateness of key disclosures made, together with compliance with the applicable accounting standards. The significant issues arising and a description of how each was addressed is shown in the following table.

Significant issue	How it was addressed
Carrying value of goodwill arising on acquisition of businesses	The carrying value of goodwill is subject to annual impairment testing undertaken by management who apply a series of assumptions concerning future revenue and cash flows and appropriate discount rates for cash generating units. Management presented the outcome of the impairment review to the Audit Committee, highlighting the level of headroom. The external auditor also commented on this. The Committee critically reviewed management's assessment of the outlook and carrying value of these intangible assets and their disclosure in the Group's financial statements. The Committee concurred with management's conclusion that the majority of the carrying value of goodwill was fully supported, and it was appropriate to impair the carrying value of the goodwill relating to Haigh-Farr and the US broadcast services business.
Working capital management	The Committee critically reviewed the carrying value of the Group's working capital. This took into account management's assessment of the appropriate level of provisioning including collectability of receivables and inventory obsolescence. Management presented to the Committee the experience of bad debts during the year, and the debtor concentration and days outstanding. With regard to inventory, the gross levels held by inventory type, the provisions recorded against obsolescence, and inventory days analysis were also presented to the Committee. In addition, the external auditor presented its findings with regard to the key audit testing over working capital covering all the major locations. The Committee concurred with management's assessment of the Group's working capital position.
Provisions and other liabilities	The Committee considered the judgemental issues relating to the level of provisions and other liabilities. The more significant items include post-employment and taxation. For each area management presented to the Committee the key underlying assumptions and key judgements and, where relevant, the range of possible outcomes. The external auditor also presented on each of these areas and their assessment of these judgements. The Committee has used this information to review the position adopted in terms of the amounts charged and recorded as provisions, acknowledging the level of subjectivity that needs to be applied.
Restructuring costs and provisions	The Committee considered the presentation and accounting for the costs that arose in connection with the various restructuring activities that were undertaken during the year. Management presented an analysis of the types of costs incurred, the nature of the provisions held at the year end and the proposed presentation and disclosures. The external auditor reported on the findings from the audit work performed and commented on the accounting requirement with regard to recognising restructuring provisions at the year end. The Committee reviewed the analysis with consideration as to how other similar companies present and disclose restructuring activities and concurred with the disclosures and presentations proposed.

Who else attends Committee meetings?

The Chairman, Group Chief Executive, Group Finance Director, Group Risk Assurance Manager, Group Company Secretary and Deputy Company Secretary attend meetings by invitation and other members of the senior management team attend as required. I invite the audit partner from the Company's external auditor, KPMG, to attend meetings of the Committee on a regular basis and during 2016 he attended three of the four scheduled meetings, either in whole or for part of the meeting. At two of the meetings the Executive Directors and senior management were not present for part of the meeting so that members of the Committee could meet with the external auditor in private. The Committee will continue with the practice of meeting in private with the external auditor in the future.

How long has KPMG been the Group's Auditor?

KPMG has been the Company's auditor since 19 July 1995 and we comply with the requirement to rotate the audit partner every five years. We reviewed the external audit arrangements in 2015 and as a result Robert Brent stood down at the conclusion of the 2016 AGM and Adrian Wilcox was appointed. Adrian is expected to serve in this role for five years and will be in attendance at the 2017 AGM should shareholders wish to meet him. I would like to place on record my thanks to Robert Brent for his service as audit partner for the five years up until the 2016 AGM.

When will you tender the external auditor?

In accordance with the new Governance Code, and acknowledging the Competition and Markets Authority's proposal that companies must put their statutory audit engagement out to tender at least every ten years, we expect to tender the audit process in 2020, to coincide with the rotation of the audit partner, or earlier if KPMG's performance falls short of the Audit Committee's expectations. In all events, we note that under published EU requirements on auditor rotation, we will be required to replace KPMG as our external auditor by 2023 at the latest.

What is the policy on non-audit services provided by the external auditor?

We have a policy on the use of the external auditor for non-audit services that has been in place for a number of years and which is reviewed annually. The use of the external auditor is determined by their demonstrable competence, knowledge of the Group, and competitive pricing, and monetary thresholds for the approval of non-audit work by KPMG have been set by the Committee. The policy ensures that the non-audit work provided by KPMG does not impair their independence or objectivity and is divided into three parts:

- *Work where use of the external auditor is deemed appropriate:* This includes accounting advice in relation to acquisitions and divestments, corporate governance and risk management advice, defined audit related work and regulatory reporting.
- *Work requiring Audit Committee clearance:* This includes services as reporting accountants, compliance services (including fraud and money laundering), transaction work (mergers, acquisitions and divestments), valuation and actuarial services, fairness opinions and contribution reports.

- *Work from which the external auditor is excluded:* This includes internal accounting or other internal financial services, design, development or implementation of financial information or internal controls systems, internal audit services or their outsourcing, forensic accounting services, executive or management roles and functions, IT consultancy, litigation support services and other financial services such as broker, financial adviser or investment banking services.

I confirm that during 2016 the policy was followed without exception and that no changes to the scope of the policy were made. A report on the level of non-audit work provided by KPMG is given to the Committee half-yearly and the Committee is satisfied that the advice they received from KPMG has been objective and independent. During 2016, £0.2 million was paid to KPMG in respect of non-audit work compared to an audit fee of £0.5 million. This non-audit work comprised primarily investor relations advice provided by Makinson Cowell that was acquired by KPMG in 2013. In early 2016 KPMG advised us that they could no longer provide investor relations advice due to new rules on the provision of non-audit services by the auditor and the agreement with Makinson Cowell was terminated with effect from 30 April 2016.

How was the Committee rated in the annual evaluation?

Our performance as a Committee was assessed through the internal Board performance evaluation, information on which is provided in the Governance Report. The Audit Committee is working effectively and supported by an excellent internal finance team. A number of suggestions for areas to focus on have been incorporated in our 2017 objectives. To ensure that we continue to be an effective Committee, we set and measure our performance against specific objectives every year. These objectives are set annually and the details of our objectives for 2016 and the progress made is summarised on the following page. I am pleased to confirm that we successfully achieved all of these objectives. Progress on achievement against our 2017 objectives will be reported in next year's Annual Report.

Corporate Governance

2016 Audit Committee Objectives Progress during 2016

2016 Audit Committee Objectives	Progress during 2016
<p>Ensure successful induction of Non-Executive Director</p>	<ul style="list-style-type: none"> • Caroline Thomson held meetings with the Group Finance Director, KPMG Audit Partner, Group Risk Assurance Manager, Deputy Company Secretary and other members of the internal finance team • She attended all meetings of the Committee during 2016 covering the full remit of an annual cycle of Committee matters
<p>Ensure successful handover to new Audit Partner</p>	<p>Adrian Wilcox has:</p> <ul style="list-style-type: none"> • Held regular meetings with the Group Finance Director and Audit Committee Chairman • Met with the Group Risk Assurance Manager, Group Financial Controller, Deputy Company Secretary and other members of the internal finance team in advance of his appointment and regularly thereafter • Met with the Group Chairman to gain a deeper understanding of the Group • Shadowed Robert Brent through the 2015 full year end process and attended closing meetings in the UK, US and Italy • Reviewed the Group's key internal processes on internal audit, risk assurance, bribery and whistleblowing matters, Code of Conduct and main policies • Attended all meetings of the Committee during 2016 which KPMG was requested to attend
<p>Receive updated governance materials and discuss their impact on the Group, and oversee the Group's whistleblowing arrangements</p>	<ul style="list-style-type: none"> • Received updates during the year on: FRC's "Year-end advice to larger listed companies"; "Guidance on Audit Committees" and the "UK Corporate Governance Code"; various publications from KPMG's Audit Committee Institute; and other publications from major accounting firms • Reviewed and recommended to the Board the Viability Statement • Completed the Group's online governance training module • Received a presentation from Adrian Wilcox on forthcoming technical and governance changes • Received detail of whistleblowing reports made during the year
<p>Ensure continued appropriateness of the Group's Risk Management processes and that internal audit actions are aligned with critical business risks</p>	<ul style="list-style-type: none"> • Reviewed the approach taken to internal audit and risk assurance and provided support to the processes • Critically reviewed and approved the Principal Risks to be disclosed in the 2015 Annual Report • Reviewed regular Risk Assurance Reports from the Group Risk Assurance Manager • Approved the 2016 Internal Audit Plan • Received regular updates on the cyber security governance programme
<p>Review the process underpinning the Viability Statement</p>	<ul style="list-style-type: none"> • Reviewed the supporting analysis and stress testing that was completed to support the drafting of the Viability Statement • Recommended the publication of the Viability Statement in the 2015 Annual Report

Audit Committee activities during 2016

During 2016 the Audit Committee had four scheduled meetings. At each scheduled meeting the Committee considered the following matters:

- Directors' duties and any new conflicts of interest
- Minutes of previous meetings and matters arising
- Progress against agreed objectives
- Risk Assurance Report covering risk, assurance, internal audit and internal controls
- Any whistleblowing reports

The following specific business was dealt with at each meeting held in 2016:

February

- Annual results for 31 December 2015, including:
 - Accounting issues report
 - Full year report from the external auditor including Auditor's Report to be included in the 2015 Annual Report
 - Consolidated financial statements for the year ended 31 December 2015
 - Principal risks and uncertainties
 - Report on internal controls
 - Separate report on the work of the Audit Committee
 - Performance, effectiveness and independence of the external auditor
 - Fees for non-audit services and professional fees
 - Process behind the drafting of the Viability Statement
- Recommendations to the Board on:
 - The consolidated financial statements
 - The reappointment of and fees for KPMG
 - The independence and objectivity of KPMG
 - Management's representation letter to KPMG
 - The Viability Statement
- Reviewed results of enhanced controls self-assessment process
- Reviewed 2016 internal audit plan
- Summaries of internal audit's reviews of the business
- Private meeting between the Committee and external auditor without executive management present

June

- Reviewed cyber security governance programme
- Reviewed external audit strategy for the year ended 31 December 2016
- Summaries of internal audit's reviews of the business
- Reviewed bribery and whistleblowing arrangements
- Training session from KPMG on technical and governance issues

August

- Half year results for 30 June 2016, including reviews of:
 - Accounting issues report
 - Report from the external auditor
 - Results for the half year ended 30 June 2016
 - Fees for non-audit services and professional fees
 - Principal risks and uncertainties
- Recommendations to the Board on:
 - The half year results
 - Management's representation letter to KPMG
- Summaries of internal audit's reviews of the business

December

- Considered the outcome of 2016 objectives and agreed 2017 objectives
- Agreed the process by which the effectiveness of the external auditor would be assessed for the 2016 Annual Report
- Update on the cyber security governance programme
- Reviewed an operational control issue

Christopher Humphrey
 Chairman, Audit Committee

20 February 2017

Remuneration Report

Annual Statement by Caroline Thomson, Chairman of the Remuneration Committee



Dear Shareholder

The Remuneration Report is split into three sections.

- **Firstly, my annual statement summarising the work of the Remuneration Committee in 2016 and priorities for 2017.**
- **Secondly, the Remuneration Policy Report (the “Policy”) that sets out the Company’s policy on Directors’ remuneration. It is now three years since the Company’s shareholders approved this Policy at the 2014 AGM and in accordance with regulations we will be submitting a revised Policy to shareholders for approval at the forthcoming AGM. We set out in full the Policy on pages 66 to 73 and key changes to the Policy are summarised below and in detail in the Policy Report.**
- **Thirdly, the Annual Report on Remuneration sets out the remuneration paid to Directors in 2016 as well as details of how the Committee intends to implement our remuneration policy for 2017. Shareholders will have the opportunity for an advisory vote on the Annual Report on Remuneration at the forthcoming AGM.**

2016 performance

Vitec achieved strong growth and record performances in revenue and adjusted profit* during 2016. This included a favourable benefit from foreign exchange and strategic progress in higher technology products, new growth markets and APAC. The Group delivered underlying sales and adjusted profit* growth excluding the anticipated lower performance of the non-core Haigh-Farr business and despite lower activity in the US rental services business. Management has successfully completed the restructuring of the more traditional parts of the business during 2016 and invested in the higher growth parts of the business to drive organic growth. The Group delivered a strong cash performance through a continued focus on working capital management and the Group is well positioned with a robust balance sheet.

Committee activities in 2016 and priorities for 2017

The Remuneration Committee in 2016 focused on the following matters:

- The Committee reviewed the Remuneration Policy approved by shareholders at the 2014 AGM with a view to seeking a renewal of it at the 2017 AGM in accordance with regulations. This entailed a review of its key features including salary, benefits, annual bonus and long-term incentives (including associated performance conditions). As part of this we consulted with our major shareholders to ensure that the Policy meets their expectations in terms of quantum and motivating executive management to deliver sustainable growth for the Company. The proposed policy is very similar to that adopted in 2014 except in two main areas:
 - Firstly, under the Long Term Incentive Plan (“LTIP”) we are proposing a re-balance in the performance conditions from a 50/50 split between Total Shareholder Return (“TSR”) and Earnings per Share (“EPS”) to a 33/67 split respectively. Vesting will be underpinned by Committee discretion that will take into account, in particular, Return on Capital Employed (“ROCE”) performance over the performance period for the EPS element of awards.
 - Secondly, under the Pension, we are proposing to reduce the Company contribution for Executive Directors appointed from 2017 onwards from 20% of salary to 15% of salary.
- The Committee approved an increase in the Group Chief Executive’s salary with effect from 1 January 2017 of 2.5%, reflecting pay increases within the Group’s workforce and current market conditions. Fees paid to Non-Executive Directors have also been increased by the same percentage. The Chairman’s fee that was increased on 1 January 2016 to £150,000 remains unchanged.
- Bonus payments for 2016 were 77.9% and 77.4% respectively of the maximum potential award for the Group Chief Executive and Group Finance Director. The 2016 Annual Bonus Plan paid out against the profit and operating cash# performance measures at 64.7% and 100% respectively as well as an individual assessment against personal objectives for each Executive Director. Stephen Bird will defer half of his earned 2016 bonus into the Deferred Bonus Plan (“DBP”) for three years ensuring focus on long-term growth.

- LTIP awards made in 2014 to Executive Directors did not achieve their performance conditions based upon TSR and adjusted basic earnings per share* growth and therefore will lapse on their third anniversary in April 2017. The Committee made LTIP awards to Executive Directors and senior managers in March 2016 with performance conditions based on TSR and EPS growth. Share awards made to Executive Directors under the LTIP are subject to a further two year holding period following a three year performance period.
- The 2016 AGM approved the Company's 2015 Annual Report on Remuneration with over 99% of shareholders voting in favour of the Report which was in accordance with the Remuneration Policy approved by shareholders in 2014.
- The Remuneration Committee approved the structure of the 2017 Annual Bonus Plan to ensure that it motivates Executive Directors to deliver against challenging targets for 2017. Its structure is the same combination of both financial targets (Group adjusted profit before tax* and operating cash flow# generation) and personal objectives as was used in 2016. The Committee considers this split of performance measures will drive performance and behaviour in the right way and is aligned with the strategic objectives for the Company. We will disclose financial targets for the 2017 Annual Bonus Plan against actual performance in the 2018 Remuneration report.
- Malus and clawback provisions apply to any payments or awards vesting under the Annual Bonus Plan and long-term share incentives.
- In 2016, the Committee, ahead of its review of the Policy, appointed Kepler as its remuneration advisor.

Priorities for the Committee in 2017 include securing shareholder approval of the Policy and Executive Director remuneration in accordance with that Policy going forward. Contingent upon the Policy being approved at the 2017 AGM, we propose that the adjusted EPS* performance condition applying to the 2017 LTIP awards will be expressed in pence terms to be achieved in the year ending 31 December 2019 with a threshold of 73.0 pence and a stretch of 90.8 pence (equivalent to 6% and 14% per annum cumulative growth respectively over the three year performance period). Further details of the proposed implementation of the Policy are included on page 68. In the early part of 2017, the Committee has further determined the remuneration arrangements for Martin Green upon his appointment as an Executive Director of the Company on 4 January 2017. Details are set out on page 70. The Committee has also determined the treatment of share awards held by Paul Hayes upon his resignation as a Director of the Company, details of which are set out on page 79.

Annual General Meeting

The Remuneration Policy Report and Annual Remuneration Report will be put to the Company's shareholders as two separate resolutions at the AGM to be held on Wednesday, 17 May 2017. The Policy resolution will seek approval from shareholders to set a remuneration framework that will govern Directors' remuneration for the next three years and support delivery of the Company's growth strategy. The Annual Remuneration Report resolution is an advisory vote on the Remuneration Report for 2016. I encourage shareholders to vote in favour of both resolutions and I look forward to the opportunity to meet with shareholders at the 2017 AGM.

Caroline Thomson

Chairman, Remuneration Committee

20 February 2017

* Before restructuring costs, charges associated with acquisition of businesses and impairment of goodwill, as described on page 03.

Cash generated from operating activities after net capital expenditure, before restructuring costs paid.

Remuneration Report

Remuneration Policy Report

2017 Policy Report

The 2017 Policy Report will cover Directors' remuneration for a period of three years commencing from the Company's AGM to be held on Wednesday, 17 May 2017 and until the AGM to be held in 2020. The key terms for the 2017 Policy are set out in the tables below and shareholders will be asked to approve the 2017 Policy at the 2017 AGM. The current Policy approved by shareholders at the 2014 AGM and covering Directors' remuneration up until the May 2017 AGM is available on our website or in the 2013 Annual Report.

Should there be a need to change the Company's 2017 Policy ahead of the 2020 AGM, shareholders will be asked to approve a revised policy.

This Report contains further information required under the Listing Rules and the latest version of the UK Corporate Governance Code as published in April 2016.

2017 Remuneration policy table for Executive Directors

	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary	Base salary is set at a level to secure the services of talented Executive Directors with the ability to develop and deliver a growth strategy.	<p>Fixed contractual cash amount usually paid monthly in arrears.</p> <p>Normally reviewed annually, with any increases taking effect from 1 January each year, although the Committee may award increases at other times of the year if it considers it appropriate.</p> <p>This review is dependent on continued satisfactory performance in the role of an Executive Director.</p> <p>It also includes a number of other factors, including experience, development and delivery of Group strategy and Group profitability, as well as external market conditions and pay awards across the Company.</p>	<p>While the Committee has not set a maximum level of salary, the Committee will usually award salary increases in line with average increases awarded across the Company.</p> <p>Larger increases may, in certain circumstances, be awarded where the Committee considers that there is a genuine commercial reason to do so, for example:</p> <ul style="list-style-type: none"> • where there is a significant increase in the Executive Director's role and duties; • where an Executive Director's salary falls significantly below market positioning; • where there is significant change in the profitability of the Company or material change in market conditions; and • where an Executive Director was recruited on a lower than market salary and is being transitioned to a more market standard package as he or she gains experience. 	Not applicable.
Benefits	To provide Executive Directors with ancillary benefits to assist them in carrying out their duties effectively.	<p>Executive Directors are entitled to a range of benefits including car allowance, private health insurance and life assurance.</p> <p>Other ancillary benefits may also be provided where relevant, such as expatriate travel or accommodation allowances.</p> <p>Executive Directors are entitled to participate on the same terms as all UK employees in the Sharesave Plan or any other relevant all-employee share plan.</p>	<p>There is no maximum level of benefits set, given that the cost of certain benefits will depend on the individual's particular circumstances. However, benefits are set at an amount which the Committee considers to be appropriate, based on individual circumstances and local market practice.</p> <p>Executive Directors' participation in the UK all-employee Sharesave Plan is capped by the rules of the relevant all-employee share plan (currently £350 per month maximum).</p>	Not applicable.

2017 Remuneration policy for Executive Directors

Remuneration packages are developed to attract, retain and motivate Executive Directors without being excessive, and to be aligned with the long-term interests of shareholders and the Company's strategy. Remuneration takes into account the responsibilities and risks involved and the remuneration packages of comparable companies that have similar scale international operations. When setting the remuneration of Executive Directors, the Remuneration Committee has regard to remuneration and benefits paid across the Company's employee population. The Remuneration Committee also takes into account the views of shareholders on Executive Director remuneration.

Remuneration for Executive Directors consists of several elements including base salary, annual cash bonus, LTIP, pension contribution and other taxable benefits. The 2017 Remuneration Policy table summarises each element of remuneration for the Executive Directors including an explanation of its purpose and link to strategy, its operation, maximum opportunity and performance measures.

	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual bonus	<p>To provide a material incentive to drive Executive Directors to deliver stretching strategic and financial performance and to grow long-term sustainable shareholder value.</p> <p>Half of the annual bonus is deferred into the Deferred Bonus Plan and focuses the Executive Director on long-term value delivery and growth.</p>	<p>Paid annually based on performance in the relevant financial year. The amount is determined based on published full year results after the financial year end.</p> <p>Award levels and performance measures are reviewed annually. The Committee ensures that performance measures remain aligned to the Company's business objectives and strategic priorities for the year.</p> <p>Half of the annual bonus paid is deferred into awards under the Deferred Bonus Plan for a period of three years on a mandatory basis unless the Committee determines an alternative deferral period is appropriate. Awards may be granted in the form of conditional awards, nil-cost options, forfeitable shares or similar rights. After a period of three years, the awards are paid out to Directors in the form of shares in the Company.</p> <p>The Committee retains full discretion to amend the bonus payout (upwards or downwards), if in its opinion any calculation of payout does not produce a fair result for either the individual or the Company, taking into account the overall business performance of the Company. Any such use of discretion will be clearly reported in the next published remuneration report.</p> <p>Participants may also receive the value of any dividends which would have been paid on shares in respect of which the award vests, which may be calculated assuming reinvestment of the dividends in the Company's shares on a cumulative basis.</p> <p>In the event of any material misstatement of the Company's financial results or serious reputational damage to the Company caused by a breach of the Company's Code of Conduct or otherwise, the Committee may reduce, cancel or impose further conditions on awards.</p>	<p>An absolute maximum of 125% of base salary to be paid in each year.</p>	<p>Measures and targets for the annual bonus are set annually by the Committee.</p> <p>Currently, half of the annual bonus is based on the achievement of annual targets set against the Group's adjusted profit before tax*, with the remainder based on the achievement of annual personal objectives and achievement of annual targets set against the Group's operating cash flow# generated as a percentage of adjusted operating profit*.</p> <p>The Committee reserves the right to vary these proportions and also the measures annually to ensure the annual bonus remains appropriate and challenging.</p> <p>Targets are measured over a one year period. Payments range between 0% and 125% of base salary for threshold and maximum performance.</p> <p>Awards granted under the Deferred Bonus Plan are not subject to any performance conditions.</p>

Remuneration Report

Remuneration Policy Report

2017 Remuneration policy table for Executive Directors (continued)

	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Long Term Incentive Plan ("LTIP")	<p>To provide a long-term performance and retention incentive for the Executive Directors involving the Company's shares.</p> <p>To link long-term rewards to the creation of long-term sustainable shareholder value by way of delivering on the Group's agreed strategic objectives.</p>	<p>Under the LTIP, awards are made over a fixed number of shares, which will vest based on the achievement of performance conditions over a performance period of, unless the Committee determines otherwise, at least three years. The performance conditions are set by the Committee at the start of the performance period. Awards can take the form of a conditional award of shares, a nil-cost option or similar rights.</p> <p>Awards may be settled in cash.</p> <p>Participants may also receive the value of any dividends which would have been paid on shares in respect of which the award vests, which may be calculated assuming reinvestment of the dividends in the Company's shares on a cumulative basis. Awards made since 2015 are subject to a mandatory two year holding period for any shares that vest.</p> <p>In the event of any material misstatement of the Company's financial results or serious reputational damage to the Company caused by a breach of the Company's Code of Conduct or otherwise the Committee may reduce or impose further conditions on awards.</p>	<p>The maximum value of shares over which awards may be granted in respect of each year is 150% of base salary (although 200% is permitted in exceptional circumstances determined by the Committee).</p> <p>Awards to Executive Directors in 2017 will be at a level representing 125% of base salary.</p>	<p>LTIP awards may be based on both financial and share price based performance conditions as determined from time to time by the Committee. It is the intention for awards from 2017 onwards to be granted to have 33% of the award subject to the Company's TSR compared to a comparator group measured over a three year performance period and 67% of the award subject to targets set against growth (adjusted by the Committee as it considers appropriate) in the Company's adjusted basic earnings per share* over the same performance period. However the Committee reserves the right to change the balance of the measures as it deems appropriate, such that no measure accounts for less than 25% of the total award. For LTIP awards from 2017 onwards the Remuneration Committee will adopt a discretionary underpin on vesting of the LTIP, whereby the Committee will assess the Group's underlying performance in finalising vesting outcomes. In particular the Committee will assess the Group's ROCE performance when approving outcomes under the EPS element of awards.</p> <p>At threshold, 25% of the award will vest, increasing on a straight-line basis up to 100% for performance in line with maximum.</p>
Pension contribution	<p>To provide a benefit comparable with market rates, helping with the recruitment and retention of talented Executive Directors able to deliver a long-term growth strategy.</p>	<p>Usually paid monthly in arrears.</p> <p>Executive Directors may receive a contribution into the Company's Defined Contribution Plan, a personal pension arrangement and/or a payment as a cash allowance.</p>	<p>Executive Directors appointed before 2017 receive a pension contribution of 20% of base salary. Executive Directors appointed from 2017 onwards receive a pension contribution of 15% of base salary.</p> <p>Salary is the only pensionable element of Executive Director remuneration.</p>	Not applicable.

Notes to the remuneration policy table for Executive Directors

Under the Company's share plans the Committee may: (1) in the event of any variation of the Company's share capital, demerger, delisting, special dividend or other event which may affect the price of shares, adjust or amend awards in accordance with the terms of the plan; and (2) amend a performance condition if an event occurs which causes it to consider an amended condition would be more appropriate and not materially less difficult to satisfy.

Legacy plans

The Committee reserves the right to make any remuneration payments and payments for loss of office notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed: (1) before the policy came into effect; or (2) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes payments include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

Performance measures

The annual bonus plan is based on both personal and financial measures. Typically, the majority of the bonus will be based on financial measures such as Group adjusted profit before tax*. The measures have been chosen to provide a balance between incentivising the delivery of the Group's key financial priorities in any particular year and important individual strategic objectives. The Committee may vary the specific measures and targets

year-on-year to ensure that they reflect the key financial and strategic priorities for the Company in any given year.

LTIP awards from 2017 onwards will be based 67% on adjusted basic earnings per share* growth and 33% on TSR performance against a specific comparator group. The Committee considers these to be important measures of performance for the Company over the longer term. While TSR links a portion of the LTIP to the creation of value for shareholders, adjusted basic earnings per share* growth is a key performance indicator for the Group with the combination providing an appropriate balance between growth and returns. For LTIP awards from 2017 onwards, the Committee has adopted a discretionary underpin on vesting of the LTIP, whereby the Committee will assess the Group's underlying performance in finalising vesting outcomes. In particular the Committee will assess the Group's ROCE performance when approving outcomes under the EPS element of awards. While we will not be disclosing a formulaic target in advance, the Committee will ensure that it provides full retrospective disclosure around our decision-making process, including a summary of the ROCE trajectory over the performance period. The Committee will measure ROCE using a standard definition of adjusted operating profit* divided by average total assets less current liabilities excluding the current portion of interest-bearing borrowings, calculated on an average monthly basis at constant currency. Any changes to these measures will be aligned with the long-term strategy of the Group.

Provisions for the withholding and recovery of sums from the Directors are as set out in the table above and on page 84.

Remuneration policy table for the Chairman and Non-Executive Directors

The table below sets out a description of the Chairman and Non-Executive Directors' remuneration for the period through to the 2020 AGM. Neither the Chairman nor the Non-Executive Directors participate in any annual bonus plan or the Company's share plans:

Role	Purpose	Operation
Chairman	To recruit and retain an independent Non-Executive Chairman reflecting the responsibilities and time commitment for the role. To lead an effective Board enabling the delivery on the Group's growth strategy and creation of long-term sustainable shareholder value.	<p>While the Board has not set a maximum level of fee payable to the Chairman, the Board will review the level of fee paid usually on an annual basis and determine whether that is sufficient in terms of market conditions and also the time commitment for the role.</p> <p>The Chairman's fee is an all inclusive consolidated amount. It is paid in cash usually on a monthly basis in arrears and not in shares.</p> <p>Fees are benchmarked against FTSE-listed companies of a similar size and complexity to Vitec. Any future increases will take into account the need to ensure that the fee remains competitive and reflects the time commitment for the role.</p> <p>The Chairman's remuneration also covers his chairmanship of the Nominations Committee.</p>
Non-Executive Director	To recruit and retain independent Non-Executive Directors reflecting the responsibilities and time commitment for the role to contribute to an effective Board and to deliver on the Group's growth strategy and creation of long-term sustainable shareholder value.	<p>Fees paid to Non-Executive Directors of the Company consist of the following:</p> <ul style="list-style-type: none"> • A base fee; • An additional fee for the role of the Senior Independent Director; and • An additional fee for chairing Board Committees. <p>Fees are usually reviewed annually and are benchmarked against FTSE-listed companies of a similar size and complexity to Vitec. Fees are typically increased in line with annual salary increases for the Executive Directors. All fees are usually paid in cash and not in shares and are paid monthly in arrears.</p> <p>Any future increases will take into account the need to ensure that the fee remains competitive and reflects the time commitment for the role. The Board has not imposed a maximum level of fee payable.</p>
Benefits	To reimburse Non-Executive Directors for reasonable expenses incurred and bear any costs associated with tax, where relevant.	Expenses are reimbursed as and when incurred (including travel and hotel accommodation).

Remuneration Report

Remuneration Policy Report

Illustrative remuneration performance scenarios

The following charts set out three scenarios for the current remuneration of Stephen Bird and Martin Green in the year following the 2017 AGM (the first year that the 2017 Policy will apply):

Stephen Bird	
Basic Remuneration	
Base salary	£440,740
Benefits	£27,861
Pension (20% of salary)	£88,148
Total fixed pay (minimum)	£556,749
On target performance:	
Fixed pay	£556,749
Annual Bonus	£275,463
LTIP	£137,731
Total On Target Pay	£969,943
Maximum pay:	
Fixed pay	£556,749
Annual Bonus	£550,925
LTIP	£550,925
Total Maximum Pay	£1,658,599

Martin Green	
Basic Remuneration	
Base salary	£260,000
Benefits	£21,846
Pension (15% of salary)	£39,000
Total fixed pay (minimum)	£320,846
On target performance:	
Fixed pay	£320,846
Annual Bonus	£162,500
LTIP	£81,250
Total On Target Pay	£564,596
Maximum pay:	
Fixed pay	£320,846
Annual Bonus	£325,000
LTIP	£325,000
Total Maximum Pay	£970,846

The illustrations opposite are based on the following assumptions:

- Since Paul Hayes will cease to be a director and employee of the Company ahead of the 2017 AGM, his details have been excluded.
- The Company is currently recruiting a replacement for Paul Hayes as Group Finance Director. Details of his/her remuneration package will be communicated to shareholders at the time of appointment.
- Fixed pay – Base salary as at 1 January 2017.
- The total value of benefits received in the year ended 31 December 2016 which include car allowance, private healthcare and income protection.
- Pension contribution of 20% for Stephen Bird and 15% for Martin Green.
- Annual Bonus
 - At Minimum – nil
 - On Target – 50% of maximum payout (i.e. 62.5% of base salary)
 - At Maximum – 100% of the maximum payout (i.e. 125% of base salary)
- LTIP
 - At Minimum – nil
 - On Target – 25% vesting under the LTIP (i.e. 25% of base salary) and set out at face value, with no share price growth or dividend assumptions
 - At Maximum – 100% of the maximum payout (i.e. 125% of of base salary) and set out at face value, with no share price growth or dividend assumptions

Consideration of employment conditions elsewhere in the Company

The Committee, when determining Executive Directors' remuneration, takes into account remuneration and employment terms and conditions, including levels of pay for all employees of the Company. The Committee is kept informed of:

- Salary increases for the general employee population
- Company-wide benefits including pensions, share incentives, bonus arrangements and other ancillary benefits
- Overall spend on annual bonus
- Participation levels and outcomes in the annual bonus plan and the LTIP

When setting the remuneration of the Executive Directors, the Committee has regard to general employment terms and conditions within the Company as set out above. However, it is recognised that the roles and responsibilities of Executive Directors are such that different levels of remuneration apply, with a greater proportion of remuneration tied to the financial performance of the Company. The Committee did not consult with the Company's employees when drawing up the Directors' Remuneration Policy set out in this report.

Policy on outside appointments

The Committee believes it is beneficial both for the individual and the Company for an Executive Director to take up one external non-executive appointment. Remuneration received by an Executive Director in respect of such an external appointment would be retained by the Director. Stephen Bird is an independent Non-Executive Director of Dialight plc. In this role he receives a basic fee of £40,800 per annum and an additional £5,000 per annum in the role of Senior Independent Director. Under the terms of their service contracts, Paul Hayes and Martin Green, with the agreement of the Chairman and Group Chief Executive, may take up one external non-executive appointment of a listed company. As of the date of this report neither Executive Director had taken up any such external non-executive appointment.

Remuneration policy for senior managers and other employees of the Company

The remuneration policy of senior managers in the Company is similar to that of the Executive Directors other than that the quantum is lower. They will participate in the annual bonus plan with the same structure as the Executive Directors, as well as the LTIP, and therefore a significant element of their remuneration is dependent upon the financial performance of the Company and the Company's share price in addition to individual performance.

Remuneration for all other employees is set taking into account local market conditions to ensure that pay and benefits attract and retain employees in those local markets and to help achieve delivery of the Group's agreed strategy. A large proportion of employees are able to participate in bonus plans that are tied to the Company, Divisional or Business Unit financial performance as well as individual performance against personal objectives. The structure of bonus plans varies across the employee workforce to achieve different objectives.

Full time employees in some countries (UK, US, Italy, Costa Rica, Japan, France and Germany) are able to participate in an all-employee Sharesave plan granting employees an option to save and purchase a limited number of shares in the Company at a discount to the market price at the time an offer of the plan is made. Over 50 senior managers also participate in the LTIP that awards shares subject to satisfaction of performance conditions over a three year performance period.

All full time employees are also offered membership of a pension scheme upon joining the Company which is compliant with local legal requirements. In the UK, employees are able to join a defined contribution pension plan with both the employee and employer making fixed contributions.

Approach to recruitment remuneration

The Committee's policy is to seek to recruit Directors with the requisite skill and experience to lead the business and grow the value of the Company over the long term. Generally, pay on recruitment will be consistent with the policy for Executive Directors as set out in the policy table.

However, the Committee may, in its absolute discretion, include remuneration components or awards which are not specified in the policy table, subject to the maximum level of variable pay set out in the following paragraph, where this facilitates the hiring of candidates of an appropriate calibre and skill-set to deliver on the Group's strategy. The Committee will ensure this is only done where there is a genuine commercial need, and where this is in the best interests of the Company and its shareholders. The Committee does not intend to use this discretion to make a non-performance related payment (for example a "golden hello" payment).

The absolute maximum level of variable pay will be 325% of base salary (excluding any buy-out awards) which is in line with the Remuneration Policy set out above. This comprises up to 125% of base salary under the annual bonus and up to 200% of base salary under the Company's LTIP.

In certain circumstances, the Committee may need to make payments or awards to an executive in respect of buying-out remuneration arrangements relinquished on leaving a previous employer. When doing so, the Committee will aim to do so broadly on a like-for-like basis with a fair value no higher than the awards foregone. It will take a number of relevant factors into account which may include any performance conditions attached to these awards and the time at which they would have normally vested. These payments or awards are excluded from the maximum level of variable remuneration referred to above.

In the event of any such treatment, the Committee will explain in the next annual remuneration report the rationale for the relevant arrangements.

Remuneration Report

Remuneration Policy Report

Executive Directors' service contracts

The Executive Directors' service contracts are as follows:

	Date of Contract	Notice period from the Company to the Executive	Notice period from the Executive to the Company
Stephen Bird, Group Chief Executive – appointed on 14 April 2009	28 January 2009	12 months	6 months
Paul Hayes, Group Finance Director – appointed on 13 June 2011	3 June 2011	12 months	6 months
Martin Green, Group Business Development Director – appointed on 4 January 2017	3 January 2017	12 months	6 months

The terms of the service contracts do not provide for pre-determined amounts of compensation in the event of early termination by the Company. The Remuneration Committee's policy in the event of early termination of employment is set out below.

Policy on payment for loss of office

Executive Directors' notice periods under service contracts are summarised in the table above. The Committee believes that the Company's policy on payment for loss of office and the structure of notice periods is sufficient to ensure that the executive has security of tenure and also that the Company has sufficient retention and notice periods to enable an orderly process for succession planning. In the opinion of the Committee, any shorter notice period would not be in the Company's best interests. In accordance with best practice, the Committee will not give any Executive Director a service contract of greater than 12 months' notice.

In the event of termination of office, the Committee will consider the circumstances including notice period contained within the service contract, the circumstances around the termination and what is considered to be in the best interests of the Company. The terms of service contracts do not provide for pre-determined amounts of compensation in the event of early termination of employment. The Committee maintains full discretion to treat each such termination upon its merits trying to mitigate the cost of termination but ultimately honouring contracted terms. Dealing with each specific element of remuneration for an Executive Director this would mean the following:

Base salary, pension and other benefits – These will be paid for the notice period, subject to being mitigated if the Executive Director finds other suitable employment. This means that each element will continue to be paid on a monthly basis in arrears during the notice period either to the end of the notice period or if earlier to the point at which the Executive Director finds other suitable employment.

Annual bonus plan – The Committee will generally pro rate an annual bonus to the date of termination and the payment of the annual bonus will usually be dependent upon the satisfaction of financial performance conditions and an

assessment of the achievement of personal objectives up to the point of leaving. The Committee reserves an absolute discretion in circumstances which it considers appropriate to enable a full year's annual bonus to be paid in full to an Executive Director in accordance with the limits and rules of the annual bonus plan applying to the Executive Director.

Long Term Incentive Plan – Awards granted under the Company's LTIP are generally treated as follows: if a participant ceases office or employment with the Group his award will lapse unless he is deemed to be a good leaver or dies in service. An individual is a good leaver if he ceases employment because of ill-health, injury, disability, the sale of his employing company or business out of the Group or for any other reason at the Committee's discretion (except where the participant is summarily dismissed). Except in the case of death (where awards vest following death, unless the Committee determines otherwise), awards will normally vest on the normal vesting date, unless the Committee determines that awards should vest at the time the individual ceases employment. The Committee when determining the level of an award to vest will take into account satisfaction of the relevant performance conditions and the period of time that has elapsed since the award was granted until the date of cessation of employment.

Deferred Bonus Plan – Awards under the DBP will vest on the normal vesting date (unless the Committee determines that awards should vest on the individual's cessation of employment) except in the case of: (1) death, when awards will vest following an individual's death; or (2) gross misconduct, when awards will lapse.

When negotiating the exit package of an Executive Director, the Committee will ultimately aim to mitigate the cost of any termination payment while also fairly treating an Executive Director, honouring the terms of a service contract and acting in the Company's best long-term interests. The Committee will, upon reaching an agreement with an Executive Director on the terms of termination, publish details both with an announcement and with details published in the subsequent Remuneration Report and this will include an explanation of any use of discretion.

Change of Control

In the event of a change of control of the Company, LTIP and DBP awards will vest with the Committee taking into account, in the case of the LTIP awards, the extent to which the relevant performance conditions have been satisfied and, unless the Committee determines otherwise, the period of time that has elapsed since grant. In the event of a winding-up of the Company, demerger, delisting, special dividend or other event that may affect the share price, the Committee may also allow awards to vest on the same basis.

Chairman and Non-Executive Directors

The Chairman and Non-Executive Directors do not have service contracts but serve under letters of appointment.

The initial period of their appointments is three years but their appointments may, by mutual consent and with the approval of the Nominations Committee and the Board, be extended for a further three years. Appointments may be extended beyond six years by mutual consent and with the approval of the Nominations Committee and the Board, if it is in the interest of the Company to do so. Under the letters of appointment notice can be given by either party upon one month's written notice. Apart from the disclosure under the Remuneration Policy table for the Chairman and Non-Executive Directors there are no further obligations which could give rise to a remuneration or loss of office payment under the letters of appointment. All the Non-Executive Directors and Chairman (as well as the Executive Directors) are subject to annual reappointment by the shareholders at the AGM.

Copies of the Executive Directors' service contracts, Chairman's and each Non-Executive Director's letters of appointment are available on our website.

Consideration of shareholder views

The Committee has continued to take into account the views of its shareholders concerning the policy on remuneration of Directors.

The Company received over 96% support for the 2013 Remuneration Policy Report at the 2014 AGM and over 99% support for the 2015 Annual Report on Remuneration at the 2016 AGM indicating a strong level of support for the structure of Directors' remuneration.

During 2016, the Committee consulted with the Company's major shareholders on the structure of the Remuneration Policy with a view to the Policy being submitted to shareholders for approval at the 2017 AGM. This entailed a consultation letter setting out the structure and several face-to-face meetings with major shareholders to review the detail. This consultation was on the basis that the current policy was fit for purpose and achieving the objectives of incentivising management in the delivery of the Company's growth strategy. As part of the new policy to be submitted to the 2017 AGM for approval, the Committee has proposed that the current policy be amended so that:

- LTIP performance measures for 2017 onwards be rebalanced from 50% each on EPS and TSR to 67% / 33% weightings respectively;
- Adoption of a discretionary underpin on vesting of the LTIP, whereby the Committee will assess the Group's underlying performance in finalising vesting outcomes. In particular, the Committee will assess Group ROCE performance when approving outcomes under the EPS element of awards; and
- Under the Pension, a reduction in the employer contribution for Executive Directors appointed from 2017 onwards from 20% of salary to 15% of salary.

Remuneration Report

Annual Report on Remuneration

This Annual Report on Remuneration will be put to an advisory vote at the AGM to be held on Wednesday, 17 May 2017.

Directors' single figure of total remuneration (audited)

The following table sets out the single figure of total remuneration for Directors for the financial years ended 31 December 2016 and 2015:

	Base salary / fees		Benefits		Pension		Annual bonus		Long-term incentives		Total	
	2016 £	2015 £	2016 £	2015 £	2016 £	2015 £	2016 £	2015 £	2016 £	2015 £	2016 £	2015 £
Executive Directors												
Stephen Bird	429,990	419,503	27,861	28,095	85,998	83,900	418,450	104,876	-	-	962,299	636,374
Paul Hayes	295,601	288,391	22,739	23,099	59,120	57,678	285,820	72,098	-	-	663,280	441,266
Non-Executive Directors												
John McDonough	150,000	143,500	-	-	-	-	-	-	-	-	150,000	143,500
Christopher Humphrey	53,075	48,374	-	-	-	-	-	-	-	-	53,075	48,374
Lorraine Rienecker	43,075	42,025	-	-	-	-	-	-	-	-	43,075	42,025
Mark Rollins	49,075	45,835	-	-	-	-	-	-	-	-	49,075	45,835
Caroline Thomson (appointed 1/11/15)	52,075	8,504	-	-	-	-	-	-	-	-	52,075	8,504
Carolyn Fairbairn (left on 31/10/15)	-	42,521	-	-	-	-	-	-	-	-	-	42,521
Nigel Moore (left on 12/05/15)	-	21,184	-	-	-	-	-	-	-	-	-	21,184
Total	1,072,891	1,059,837	50,600	51,194	145,118	141,578	704,270	176,974	-	-	1,972,879	1,429,583

Notes:

1. Taxable benefits includes car allowance, healthcare cover and income protection.
2. Each Executive Director receives a pension contribution of 20% of base salary into a pension arrangement of their choice (including the Company's defined contribution scheme) or a cash allowance of 20% of base salary. Both Executive Directors currently take this contribution in the form of a cash payment.
3. For the Annual Bonus 2016, both Stephen Bird and Paul Hayes' bonus potential was 125% of base salary. Further details are set out in the "Further notes" section on the following page.
4. Long-term incentives comprise LTIP and matching awards under the DBP awards. Awards made in 2014 and 2013 did not achieve performance conditions based on TSR and growth in adjusted basic earnings per share* and therefore lapsed on the third anniversary of their awards respectively.
5. Each Director has confirmed in writing to the Company that the information in the single figure remuneration table is correct and that they have not received from the Company any other items of remuneration other than disclosed.

Further notes to the Directors' single figure of total remuneration table

(1) Base salary

The table below shows base salaries for 2016:

Executive Director	2016 Salary
Stephen Bird	£429,990
Paul Hayes	£295,601

(2) Benefits

The single figure of total remuneration table sets out the total value of benefits received by each Executive Director in 2016. Details are as follows:

Executive Director	Car allowance	Healthcare cover	Income protection
Stephen Bird	£21,494	£1,567	£4,800
Paul Hayes	£16,372	£1,567	£4,800

(3) Pension allowance

The table below sets out the value of the cash payment in lieu of pension for each Executive Director in 2016:

Executive Director	Pension allowance
Stephen Bird	£85,998
Paul Hayes	£59,120

(4) Annual bonus

In 2016, each Executive Director was entitled to receive, subject to performance, a maximum bonus of up to 125% of base salary, half of which is deferred into the Deferred Bonus Plan.

The financial elements of the annual bonus plan for each Executive Director were based upon actual financial results achieved for Group adjusted profit before tax* and Group conversion of adjusted operating profit* into operating cash flow# (over a quarterly and full year average target) measured against financial targets set by the Board. The Group adjusted profit before tax* financial element represents 50% of the maximum bonus that could be earned and the Group conversion of adjusted operating profit* into operating cash flow# represents 25% of the maximum bonus that could be earned.

Under the rules of the annual bonus plan there is a link between the two financial performance conditions so that the conversion of adjusted operating profit* into operating cash flow# element will only pay out if the Group adjusted profit before tax* element has at least achieved threshold performance.

The Remuneration Committee considered that these two financial performance conditions are key financial measures for the Group driving the right behaviour in terms of achieving profit* and operating cash flow# generation and had the most direct impact upon shareholder value for the year ended 31 December 2016.

The personal objective element of the 2016 annual bonus plan for each Executive Director, representing 25% of the maximum bonus that could be earned, is based upon individual performance measured against stretching personal objectives set by the Board and Remuneration Committee, as set out below:

Stephen Bird - 2016 Personal Objectives

- Continue to build a world class organisation – Evolve a structure that supports growth strategy; Ensure Operations Executive commitment to delivery of growth strategy; Improve the quality of succession planning; Ensure visibility to Board of diverse senior talent; Ensure that Personal Development Plan process is embedded in the Company; Ensure that Group HR organisation is fit for purpose.
- Execution of growth strategy – Develop growth strategy and use of simple KPIs to measure implementation; Right size Production Equipment and Photographic businesses and deliver savings; Grow the Creative Solutions business and identify opportunities in Enterprise Video; Communicate strategy to senior management and lead strategy review with the Board.
- Lead M&A process – Identify potential M&A targets; Manage existing business portfolio to ensure focused on growth strategy.
- 2017 Budget – Preparation and approval of a budget for 2017 reflecting underlying growth.

Paul Hayes - 2016 Personal Objectives

- Support the Group Chief Executive in delivering Group's strategy – Review and development of growth strategy including clear communication to City; Attract new investors; Restructure businesses in line with growth strategy; Develop cross Divisional collaboration and back office synergies.
- Work with Production Services management to clarify and implement strategy and deliver performance.
- M&A – Support Group Chief Executive in M&A process including robust financial due diligence and risk mitigation.
- 2017 Budget – preparation and approval of a budget for 2017 reflecting underlying growth.
- Refinance the Group's Revolving Credit Facility.
- World Class Finance function – strengthen the Finance function across the Group and ensure that the function is an effective business partner to the business.

Remuneration Report

Annual Report on Remuneration

2016 Annual Bonus Outcome

The table below sets out the annual bonus awards made to Executive Directors in respect of the year ended 31 December 2016 including the financial trigger points used in determining whether a bonus was payable.

Name	Bonus potential	Elements of bonus potential	Threshold	Target	Maximum	Actual Group Performance/ Assessment of personal objective performance	Pay-out and % of maximum
Stephen Bird	125% of annual salary	50% Group adjusted PBT*	£31.5m	£33.5m	£36.9m	£34.5m**	£173,893 (64.7%)
		25% Group conversion of adjusted operating profit* into operating cash flow#	76%	85%	94%	155%	£134,372 (100%)
		25% Personal objectives				82%	£110,185
		TOTAL					£418,450 (77.9%)
Paul Hayes	125% of annual salary	50% Group adjusted PBT*	£31.5m	£33.5m	£36.9m	£34.5m**	£119,545 (64.7%)
		25% Group conversion of adjusted operating profit* into operating cash flow#	76%	85%	94%	155%	£92,375 (100%)
		25% Personal objectives				80%	£73,900
		TOTAL					£285,820 (77.4%)

** The £34.5 million Group adjusted profit before tax* represents an average of:

- £37.5 million being the reported Group adjusted profit before tax*; and
- £31.5 million being the Group adjusted profit before tax* adjusted for constant foreign exchange rates with those of 2015.

A straight line sliding scale operates between each of the above trigger points for both financial targets. The Remuneration Committee considered that these trigger points were appropriate and sufficiently stretching for 2016 given the uncertain macroeconomic environment, challenging markets that the Group faced and performance in the prior year.

For the conversion of adjusted operating profit* into operating cash flow element of annual bonus, trigger points and performance are measured over a quarterly and full year average. The table above shows the full year performance and equivalent trigger points only.

Under the rules of the annual bonus plan the Remuneration Committee retains a full and absolute discretion as to whether a bonus is payable or not, and that

discretion may only be used in exceptional circumstances, taking into account the overall financial performance of the Company. Any use of this discretion in connection with an Executive Director will be clearly explained in the Remuneration Report.

Half of the 2016 annual bonus will be deferred into the Deferred Bonus Plan. The 2016 deferred bonus will be used to purchase core award shares to be held in trust for a three year period. No matching award shares can be earned under the Deferred Bonus Plan. After three years, the core award shares are released from the Trust to the Executive Directors. Since Paul Hayes will cease to be a Director of the Company by the end of April 2017, the Committee has determined that he will not be required to defer any of his 2016 annual bonus.

(5) Long-term incentives – Long Term Incentive Plan (“LTIP”) and Deferred Bonus Plan (“DBP”)

The long-term incentive awards value shown in the single figure of total remuneration table relate to the following awards:

Awards made in 2014 and vesting in respect of performance to 31 December 2016

These relate to awards made in 2014 under the LTIP and matching awards under the DBP. Awards are measured based 50% upon the Company’s TSR measured against a comparator group and 50% subject to growth in the Company’s adjusted basic earnings per share*. Each performance condition is entirely independent from the other performance condition and there is no retesting of either performance condition. The detail of each performance condition for each award is set out below.

For that part of an award made in 2014 under the LTIP measured against TSR, if the Company’s TSR performance is at the median of the comparator group at the end of the three year performance period, 25% of that element of an award may vest. The full element of an award may vest if the Company’s TSR performance is in the top 25% of the comparator group. There is a pro-rata straight line vesting between these two points. The comparator group comprises the constituents of the FTSE 250 index (excluding financial services companies and investment trusts) over a three year performance period. The Remuneration Committee considered that this index has a greater level of complexity and internationality and was most comparable to Vitec’s business operations where approximately 90% of revenues are generated outside of the UK.

For that part of an award made in 2014 under the LTIP measured against EPS growth, if the percentage growth in the EPS of the Company exceeds 6% per annum (Compound Average Annual Growth Rate), 25% of that element of an award may vest. Full vesting of an award occurs if the growth in EPS over the performance period exceeds growth by 12% (Compound Average Annual Growth Rate) or greater. There is a pro-rata straight line vesting between these two points.

The same performance conditions applied to matching awards made in 2014 under the DBP as for the LTIP except that at median performance for TSR or 6% EPS growth one matching share vests for every three core award shares and at the upper quartile point for TSR and 12% EPS growth one matching share vests for every one core award share.

An award lapses if the lower point under both performance conditions is not achieved during the performance period.

The Remuneration Committee also considered the underlying financial performance of the Company before it confirmed vesting.

Performance out-turn

The table below summarises the value of awards vesting for the 2014 award.

2014 Awards	Actual performance	Vesting as a % of award
TSR	Below median	0%
EPS	Less than 6% per annum	0%
Total vesting		0%

TSR is calculated on the basis of growth in the Company’s share price over a three year performance period plus dividends paid during that period and is expressed as a percentage of average compound annual growth. Share price performance is averaged over three months at the start and end of a performance period to eliminate volatility that may result in anomalous outcomes. The TSR performance is independently verified by Kepler on behalf of the Committee and is ranked against the comparator group companies’ TSR performance to determine the outcome.

Vitec was ranked in the 42nd percentile in the 2014 comparator group with a relative TSR performance of 5.3%.

EPS is determined in accordance with note 2.5 of the Financial statements on page 106.

Awards made in 2013 and vesting in respect of performance to 31 December 2015

These relate to awards made in 2013 under the LTIP and DBP. The performance conditions for these awards are the same as those made in 2014. The EPS growth targets were 6% growth per annum (Compound Average Annual Growth Rate) for 25% of that element of an award to vest and 12% or more growth per annum for full vesting respectively. The Remuneration Committee also considered the underlying financial performance of the Company before it confirmed vesting.

As disclosed in last year’s report, both performance conditions were measured to 31 December 2015 and the final outcome resulted in 0% of the TSR and EPS elements vesting. As a consequence the 2013 LTIP awards lapsed on 21 March 2016 and the DBP matching award shares lapsed on 8 April 2016.

Remuneration Report

Annual Report on Remuneration

Other outstanding awards

Awards made in 2015 and vesting in respect of performance to 31 December 2017

For awards made in 2015, 50% of an award is subject to TSR with the Company's TSR performance ranked against the constituents of the FTSE 250 index (excluding financial services companies and investment trusts) over a three year performance period. Threshold performance for the TSR performance condition will be at the median point of the comparator group and will result in 25% of an award vesting. Full vesting for the TSR element will be at the upper quartile point of the comparator group. A straight line sliding scale will operate between each of the above points. Below threshold performance none of the award will vest.

50% of the award will be subject to EPS growth over a three year performance period. For awards made in 2015 the adjusted EPS* absolute growth figures were set at 6% per annum for 25% vesting and 12% plus per annum for full vesting. A straight line sliding scale will operate between each of the above points and below 6% adjusted EPS* absolute growth none of the award will vest. Subject to satisfaction of performance conditions to 31 December 2016, these awards will vest in April 2018.

Awards made in 2016 and vesting in respect of performance to 31 December 2018

The table below provides details of the awards made under the LTIP on 1 March 2016. Performance for these awards is measured over the three financial years from 1 January 2016 to 31 December 2018. They are subject to the same performance conditions as for the 2015 award.

The performance required for threshold vesting (25% of this part of the award) is adjusted EPS* growth of 5% per annum. Full vesting of this part of the award required adjusted EPS* growth of 12% plus per annum, with a straight line sliding scale between these two points. None of this part of the award will vest for adjusted EPS* absolute growth lower than 5% per annum.

Dividends that would have been paid on shares vesting under the LTIP during the performance period are reinvested in additional shares for each of the above awards. There is no retesting of any performance condition under any of the above awards and the Remuneration Committee will also consider the underlying financial performance of the Company before it confirms vesting of any of the above awards.

TSR is calculated on the basis of growth in the Company's share price over a three year performance period plus dividends paid during that period and is expressed as a percentage of average compound annual growth. Share price performance is averaged over three months at the start and end of a performance period to eliminate volatility that may result in anomalous outcomes. The TSR performance is independently verified by Kepler on behalf of the Committee and is ranked against the comparator group companies' TSR performance to determine the outcome.

Long Term Incentive Plan 2016 awards

Executive Director	Type of award	Number of shares awarded	Face value ⁽¹⁾ (£)	Face value (% of salary)	Threshold vesting (% of face value)	Maximum vesting (% of face value)	End of performance period
Stephen Bird	Performance shares	103,362	£537,487	125%	25%	100%	31 December 2018
Paul Hayes		71,057	£369,501	125%			

⁽¹⁾ Face value has been calculated using the Company's share price at the date of the award of £5.20.

Deferred Bonus Plan 2016 awards

The following table provides details of the awards made under the DBP on 11 April 2016. There are no performance conditions or matching shares associated with these awards. The core shares are held in an Employee Trust on behalf of the Directors for three years and will be released to the individuals on 11 April 2019.

Executive Director	Type of award	Number of core shares awarded	Face value ⁽²⁾ (£)	End of holding period
Stephen Bird	Core award shares using deferred annual cash bonus	4,716	£27,789	11 April 2019
Paul Hayes		3,242	£19,103	

⁽²⁾ Face value has been calculated using the Company's share price at the date of the award of £5.8925.

Payments to Past Directors

There were no payments in 2016 to past directors of the Company.

Paul Hayes will cease to be an Executive Director and employee of the Company in April 2017. With effect from that date he will not receive any further remuneration from the Company. The Committee has determined that he will not be required to defer any of his 2016 annual bonus on the basis that he will be leaving the Company. The Committee has further determined that his outstanding LTIP awards and Sharesave options will lapse with effect from this departure date. In respect of the Deferred Bonus awards for 2015 and 2016, the Committee has determined that these will be paid out to Paul Hayes upon his departure along with associated dividends. Details will be covered fully in the 2017 Annual Remuneration Report.

Chairman and Non-Executive Directors

The Chairman and Non-Executive Directors were paid the following fees in 2016:

Role	2016 Annual Fee	Comment
Chairman	£150,000	Increased to £150,000 from £147,000 with effect from 1 January 2016
Non-Executive Director	£43,075	Base fee paid to Non-Executive Directors. Fee effective from 1 January 2016
Chairman of Audit Committee	£10,000	Fee was last increased on 1 January 2014
Chairman of Remuneration Committee	£9,000	Fee was last increased on 1 January 2014
Senior Independent Director	£6,000	Fee was last increased on 1 January 2014

Fees for the Chairman, Non-Executive Directors, Committee Chairmen and Senior Independent Director roles are reviewed annually by the Board with the support of Kepler providing market data to ensure that fees remain appropriate given time commitment and the need to attract the right experience for the role. The Chairman and Non-Executive Directors do not receive any other benefits from the Company.

Directors' Shareholding Requirements and Share Interests

The Board has determined that Executive Directors of the Company are required to build up, over a reasonable period of time, a substantial holding of shares in the Company of at least one times base salary. A reasonable period is considered to be the life of a performance period tied to an award vesting under the Company's LTIP or DBP. The Executive Directors satisfied this requirement throughout the whole of 2016 and up to the date of this report. Other members of the Operations Executive are encouraged to do the same up to a level of 50% of base salary.

The Chairman and Non-Executive Directors of the Company have no such requirement and have discretion as to whether to hold shares in the Company or not. The following table sets out the interests in the ordinary shares of the Company held by each Director (or connected persons) of the Company during the year ended 31 December 2016.

Executive Director's shareholdings as at 31 December 2016

Executive Director	Share ownership requirement (% of salary)	Number of shares owned outright (including connected persons)	Number of shares beneficially owned (DBP core award shares)	Number of shares unvested and subject to performance (DBP matching and LTIP shares)	Ownership requirements met (based on shares owned outright and core award shares)
Stephen Bird	100%	233,282	42,269	262,471	415%
Paul Hayes	100%	52,786	29,920	181,120	181%

Upon his appointment to the Board as an Executive Director on 4 January 2017, Martin Green held 34,821 shares in the Company, of which 12,851 were DBP Core award shares.

Chairman and Non-Executive Directors' shareholdings as at 31 December 2016

Director	1 January 2016	31 December 2016
John McDonough, Chairman	50,000	50,000
Caroline Thomson	-	8,407
Mark Rollins	4,900	10,000
Christopher Humphrey	5,000	10,000
Lorraine Rienecker	-	3,248

- The closing mid-market share price on 31 December 2016 was £6.485 and the calculation of the percentage shareholding requirement achieved for the Executive Directors is based on this closing mid-market share price.
- The shares shown in the beneficial holdings table above were acquired by the Directors using their own funds and not through any share incentive scheme (or similar) with the exception of the following disclosures in notes 3 and 4 below.
- Stephen Bird's share interests include 42,269 shares (at 31 December 2016) purchased in the market using deferred annual cash bonus and held by the Employee Benefit Trust, the trust used to hold shares in respect of awards made under the Vitec Group DBP. These shares will vest out of the DBP in 2017, 2018 and 2019 respectively. Neither these shares nor any of the other shares held by Stephen Bird have any performance conditions attached to them. During the year ended 31 December 2016 Stephen Bird acquired 17,899 shares through the exercise of awards under the DBP arising from awards made in 2013. During the year, Stephen Bird also acquired 1,291 shares through the reinvestment of dividends into the Dividend Reinvestment Plan operated by the Company. 2,000 shares of Stephen Bird's holding are held by his spouse.
- Paul Hayes' share interests include 29,920 shares (at 31 December 2016) purchased in the market using deferred annual cash bonus and held by the Employee Benefit Trust, the trust used to hold shares in respect of awards made under the Vitec Group DBP. These DBP awards will be paid out to Paul Hayes on the earlier of vesting or his departure along with associated dividends. Neither these shares nor any of the other shares held by Paul Hayes have any performance conditions attached to them. During the year ended 31 December 2016 Paul Hayes acquired 12,381 shares through the exercise of awards under the DBP arising from awards made in 2013.
- There has been no change to the Directors' shareholdings described in the table above in the period from 31 December 2016 to 20 February 2017.

Remuneration Report

Annual Report on Remuneration

Sharesave

The Group operates an all-employee savings-related share option scheme in the UK ("Sharesave") and a similar international plan in respect of overseas employees in certain countries (US, Italy, Costa Rica, Japan, France and Germany). The scheme and plan are open to all the Group's employees in those countries, including the Executive Directors. As at 31 December 2016 both Stephen Bird and Paul Hayes participate in the UK scheme and the details are shown below.

Director	Date of grant	At 1 January 2016 (shares)	Options exercised during the year	Options lapsed during the year	Options granted during the year	At 31 December 2016 (shares)	Exercise price (pence)	Market price at date of grant (pence)	Date from which exercisable ⁽³⁾	Expiry date
Stephen Bird	25 September 2015	2,560	-	-	-	2,560	492	614 ⁽²⁾	1 November 2018	30 April 2019
Paul Hayes	25 September 2014	743	-	-	-	743	484	604.75 ⁽¹⁾	1 November 2017	30 April 2018
	25 September 2015	1,829	-	-	-	1,829	492	614 ⁽²⁾	1 November 2018	30 April 2019

⁽¹⁾ The market price for the grant of shares under option was calculated on the basis of a three day average of the closing mid-market share price from 27 August 2014 to 29 August 2014 inclusive. A 20% discount was applied to this price under this HMRC approved Sharesave plan.

⁽²⁾ The market price for the grant of shares under option was calculated on the basis of a three day average of the closing mid-market share price from 27 August 2015 to 1 September 2015 inclusive. A 20% discount was applied to this price under this HMRC approved Sharesave plan.

⁽³⁾ There is no performance condition attached to the exercise of the Sharesave plan which is an all-employee plan.

Long Term Incentive Plan

Each year the Executive Directors are made a conditional award of shares in the Company. Up until 2015 this had been at a level representing 100% of annual base salary, based on the three day average closing mid-market share price of the Company in the period just prior to the award. From 2015, awards to Executive Directors have been increased to a level representing 125% of annual base salary to partly compensate for the removal of the matching share award element under the Deferred Bonus Plan (as disclosed in the 2014 Annual Report). Both Executive Directors agreed to waive this increase in 2015. The award is subject to satisfaction of performance conditions over a three year performance period. The following table sets out the outstanding awards under the LTIP as at 31 December 2016 for each of the Executive Directors:

Director	Date of award	Awards at 1 January 2016	Award exercised during the year	Associated dividend shares with the exercised award	Awards lapsed during the year	Awards made during the year	At 31 December 2016	Market price on which award made (pence)	Market price at exercise date (pence)	Face value of award	Percentage of interest that vests if threshold performance achieved	End of performance period
Stephen Bird	21 March 2013	61,833	-	-	61,833	-	-	645	-	100% of annual salary	25%	31 December 2015
	2 April 2014 ⁽¹⁾	65,958	-	-	-	-	65,958	620.5	-	100% of annual salary	25%	31 December 2016
	8 April 2015	64,838	-	-	-	-	64,838	647	-	100% of annual salary	25%	31 December 2017
	1 March 2016	-	-	-	-	103,362	103,362	520	-	125% of annual salary	25%	31 December 2018
Total		192,629	-	-	61,833	103,362	234,158					
Paul Hayes	21 March 2013	42,507	-	-	42,507	-	-	645	-	100% of annual salary	25%	31 December 2015
	2 April 2014 ⁽¹⁾	45,343	-	-	-	-	45,343	620.5	-	100% of annual salary	25%	31 December 2016
	8 April 2015	44,573	-	-	-	-	44,573	647	-	100% of annual salary	25%	31 December 2017
	1 March 2016	-	-	-	-	71,057	71,057	520	-	125% of annual salary	25%	31 December 2018
Total		132,423	-	-	42,507	71,057	160,973					

⁽¹⁾ The LTIP award made on 2 April 2014 did not achieve either of its performance conditions based on Adjusted EPS* growth and TSR performance compared to a comparator group. As a consequence the award will lapse on its third anniversary of 2 April 2017.

Remuneration Report

Annual Report on Remuneration

Deferred Bonus Plan

Each year, Executive Directors are required to defer a proportion of their annual bonus into the DBP. No matching awards can be earned on deferred shares since 2014.

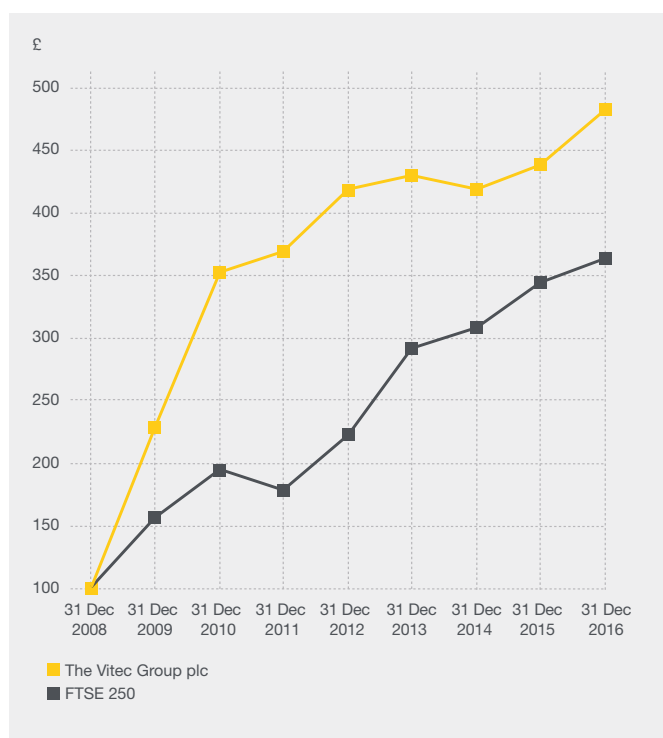
Director	Date of award	Awards at 1 January 2016 (shares)	Awards exercised during the year	Associated dividend shares with the exercised awards	Awards lapsed during the year	Awards made during the year	At 31 December 2016	Market price on which award made (pence)	Market price at exercise date (pence)	Face value of award	Percentage of interest that vests if threshold performance achieved	End of performance period
Stephen Bird	8 April 2013 (core award)	15,969	15,969	1,930	-	-	-	641	-	50% of annual bonus	Not applicable	31 December 2015
	8 April 2013 (matching award)	15,969	-	-	15,969	-	-	641	-	50% of annual bonus	33.30%	31 December 2015
	31 March 2014 (core award) ⁽¹⁾	28,313	-	-	-	-	28,313	628	-	50% of annual bonus	Not applicable	31 December 2016
	31 March 2014 (matching award) ⁽¹⁾	28,313	-	-	-	-	28,313	628	-	50% of annual bonus	33.30%	31 December 2016
	16 April 2015 (core award)	9,240	-	-	-	-	9,240	649	-	50% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award date
	11 April 2016 (core award)	-	-	-	-	4,716	4,716	589	-	50% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award date
Total		97,804	15,969	1,930	15,969	4,716	70,582					
Paul Hayes	8 April 2013 (core award)	11,046	11,046	1,335	-	-	-	641	-	50% of annual bonus	Not applicable	31 December 2015
	8 April 2013 (matching award)	11,046	-	-	11,046	-	-	641	-	50% of annual bonus	33.30%	31 December 2015
	31 March 2014 (core award) ⁽¹⁾	20,147	-	-	-	-	20,147	628	-	50% of annual bonus	Not applicable	31 December 2016
	31 March 2014 (matching award) ⁽¹⁾	20,147	-	-	-	-	20,147	628	-	50% of annual bonus	33.30%	31 December 2016
	16 April 2015	6,531	-	-	-	-	6,531	649	-	50% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award date
	11 April 2016 (core award)	-	-	-	-	3,242	3,242	589	-	50% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award date
Total		68,917	11,046	1,335	11,046	3,242	50,067					

⁽¹⁾ The DBP award made on 31 March 2014 did not achieve either of its performance conditions based on EPS growth and TSR performance compared to a comparator group. As a consequence the matching award will lapse on its third anniversary of 31 March 2017.

Performance graph of the Company's ordinary shares compared to comparator group

From 2013, the Company is required to include a line graph showing the Company's ordinary share performance compared to an appropriate index initially over a five year period, but building up to a ten year performance period over subsequent years. The graph below illustrates the Company's annual Total Shareholder Return (TSR) (share price growth plus dividends that have been declared, paid and reinvested in the Company's shares) relative to the FTSE 250 for the preceding eight year period, assuming an initial investment of £100. This index has been chosen since it is the comparator group (excluding financial services companies and investment trusts) for one of the performance conditions tied to awards under the LTIP. The Committee notes that the FTSE 250 index is a recognised broad market equity index, relatively complex and international in nature and is comparable to the Company's business operations where approximately 90% of revenues are generated outside the UK.

Each point is a 30 trading day average of the indices. TSR data is taken from Datastream.



Performance table setting out the total remuneration of the Group Chief Executive

The following table sets out the single figure of total remuneration paid and the amount vesting under short-term and long-term incentives (as a percentage of the maximum that could have been achieved) to the Group Chief Executive for each of the eight years ended 31 December 2016.

Year (ended 31 December)	Group Chief Executive	CEO single figure of total remuneration	Annual Bonus payout against maximum opportunity % (including actual amount paid)	Long-term incentive vesting rates against maximum opportunity %
2016	Stephen Bird	£962,299	77.9% (£418,450)	0%
2015	Stephen Bird	£636,374	20% (£104,876)	0%
2014	Stephen Bird	£745,388	44.25% (£226,378)	0%
2013	Stephen Bird	£1,057,407	71% (£355,616)	28.55% (£195,634)
2012	Stephen Bird	£1,697,841	79.4% (£386,434)	92.4% (£817,428)
2011	Stephen Bird	£2,053,828	87.3% (£323,816)	100% (£1,259,398)
2010	Stephen Bird	£812,946	98.75% (£355,994)	-
2009	Stephen Bird (from 14 April 2009)	£487,087	68.7% (£172,069)	-
2009	Alastair Hewgill (from 1 January 2009 to 14 April 2009)	£151,634	42% (£51,911)	-

Percentage change in remuneration of the Group Chief Executive

The table below sets out a comparison of the following elements of remuneration paid to the Group Chief Executive, Stephen Bird, in the year ended 31 December 2016 compared to the year ended 31 December 2015 and compared to that of UK based employees: Annual Salary; Taxable Benefits; and Annual Bonus. The Remuneration Committee has selected this comparator group on the basis that the Group Chief Executive is UK based and this provides a local market reference, is a sizeable population and a fair representation of the Group's employee base.

	Annual Salary (% change in 2016 compared to 2015)	Taxable benefits (% change in 2016 compared to 2015)	Annual Bonus (% change in 2016 compared to 2015)
Stephen Bird, Group Chief Executive	2.5%	2.5%	299%
UK based employees	2.5%	2.5%	230%

Relative importance of spend on pay

The following table sets out for the year ended 31 December 2016 compared to the year ended 31 December 2015 the actual expenditure of the Company in terms of remuneration paid to or receivable by all employees of the Vitec Group and distributions to shareholders by way of dividends. There have been no share buybacks or other significant distributions and payments required to be disclosed that would assist in understanding the relative importance of spend on pay.

	Year ended 31 December 2016	Year ended 31 December 2015	% change
Total remuneration paid to all Vitec Group employees	£99.7m	£92.6m	7.7%
Total dividends paid to shareholders	£11.1m	£10.7m	3.7%

Remuneration Report

Annual Report on Remuneration

Statement of Implementation of Remuneration Policy in the Year Ending 31 December 2017

This section provides an overview of how the Committee is proposing to implement the Remuneration Policy in 2017.

(1) Base salary

The table sets out the 2017 base salary for each Executive Director, together with the percentage increase from 2016:

Executive Director	2017 Salary	Increase from 2016
Stephen Bird	£440,740	2.5%
Paul Hayes	£295,601	0% (No increase due to departure)
Martin Green (appointed 4 January 2017)	£260,000	Not applicable

In determining the increases for 2017, the Committee took into account a number of factors, including Company and individual performance, the executive's responsibilities and experience, pay increases for the Company's employees, market rates for Executive Director remuneration, the need for retention of a talented executive team and prevailing economic conditions.

(2) Benefits

The car allowance taxable benefit has been increased in line with base salary increases for 2017. The other taxable benefits of private healthcare and income protection are respectively premium and contractually based.

(3) Pension allowance

The pension allowances remain unchanged from 2016 for Stephen Bird and Paul Hayes representing 20% of base salary. Both Executive Directors currently take this contribution in the form of a cash payment. Martin Green upon his appointment as an Executive Director on 4 January 2017 receives a pension allowance representing 15% of base salary, in line with the proposed 2017 remuneration policy. The table below shows the value of the pension allowance in 2017:

Executive Director	Pension allowance
Stephen Bird	£88,148
Paul Hayes	£59,120 (pro rata to departure date)
Martin Green	£39,000

(4) Annual Bonus

The maximum opportunity remains unchanged at 125% of base salary. Half of any net after tax annual bonus earned for the year ended 31 December 2017 will be deferred into the DBP for a period of three years and held in the form of shares in the Company. There will be no matching award that can be earned on this deferred bonus. The table below provides information on the performance measures against which performance for the 2017 annual bonus plan will be measured:

Core measures for 2017 annual bonus plan	Weighting (% of overall opportunity)
Group adjusted profit before tax*	50%
Group percentage of adjusted operating profit* converted to operating cash flow [†]	25%
Role specific personal objectives set by the Board and Remuneration Committee for the Executive Director	25%

The performance measures selected reflect the strategic and operational objectives of the Group. The Committee considers that the specific targets and personal objectives for 2017 are commercially sensitive and therefore has not disclosed them. The Committee will disclose these targets and objectives once a bonus has been paid and subject to the Committee considering that they are no longer commercially sensitive. Given his resignation from the Company, Paul Hayes will not be eligible for an annual bonus in respect of 2017 performance.

(5) Long Term Incentive Plan

Stephen Bird and Martin Green will each receive an award of shares under the LTIP equivalent to 125% of base salary in 2017. These awards will be made in the 42 day period following the announcement of the full year results for the year ended 31 December 2016 that will be announced on 21 February 2017. The awards however will be contingent on the Remuneration Policy being approved by shareholders at the 2017 AGM to be held on Wednesday, 17 May 2017. The performance conditions for the LTIP awards to be granted in 2017 will be as follows: 67% of the award will be subject to adjusted basic earnings per share* growth over a three year performance period. The Remuneration Committee has determined that the EPS targets for threshold and maximum vesting levels for 2017 will be 73 pence and 90.8 pence to be achieved in the year ending 31 December 2019, equivalent to 6% and 14% per annum growth over the three year performance period. The remaining 33% of the award will be subject to TSR with the Company's TSR performance ranked against the constituents of the FTSE 250 index (excluding financial services companies and investment trusts) over a three year performance period. Vesting will be underpinned by Committee discretion that will take into account, in particular, ROCE performance over the performance period for the EPS element of the award. Any awards vesting under the LTIP 2017, after deduction of taxes, will be subject to a further two year holding period, thereby more closely aligning their interests with the long-term interests of shareholders.

Given his resignation from the Company, Paul Hayes will not be eligible for a 2017 LTIP award.

Malus and clawback

Under the rules of the Annual Bonus Plan, LTIP and DBP, awards up until 2015 have been subject to a malus rule whereby the Remuneration Committee has the power to reduce, cancel or impose further conditions upon a bonus or award in circumstances that the Committee determines such action is appropriate including circumstances where a material misstatement of the Company's audited financial results has occurred or serious reputational damage to the Company has occurred as a result of a participant having breached the Company's Code of Conduct. Under the UK Corporate Governance Code companies are expected to include both clawback and malus provisions for all incentive awards from that date. The Remuneration Committee took the decision to amend the rules of the LTIP, DBP and Annual Bonus Plan with effect from February 2015, to include a clawback provision where in the same circumstances as for malus, any future award that is paid out can be clawed back from a participant for a period of up to three years from it vesting or being paid out. All awards from February 2015 are on the basis that malus and clawback applies to them.

(6) Chairman and Non-Executive Directors' remuneration

The fee structure for the Chairman and Non-Executive Directors for 2017 is set out in the table on the next page:

Role	2017 fee	2016 fee
Chairman	£150,000	£150,000
Non-Executive Director's Base fee	£44,152 ⁽¹⁾	£43,075
Chairman of Audit Committee	£10,000 ⁽²⁾	£10,000
Chairman of Remuneration Committee	£9,000 ⁽²⁾	£9,000
Senior Independent Director	£6,000 ⁽²⁾	£6,000

⁽¹⁾ The Non-Executive Director's base fee was increased by 2.5% with effect from 1 January 2017.

⁽²⁾ The Chairman of the Audit Committee, Chairman of the Remuneration Committee and Senior Independent Director fees are reviewed annually to ensure that they remain appropriate taking into account the nature of each role, the time commitment, performance of the respective individuals, market conditions for the complexity of the roles and the calibre of individuals. The last increases for each of these roles were with effect from 1 January 2014.

The Board has agreed that the basic Non-Executive Director fee will typically be increased in line with the level of salary increases given to Executive Directors on an annual basis in future years. The Chairman elected to waive any increase in fee for 2017. The fees paid to the Senior Independent Director and Chairmen of the Audit and Remuneration Committees will be reviewed annually to ensure that they remain appropriate.

Voting at Annual General Meeting

At the Company's last AGM held on 18 May 2016, the Directors' Annual Remuneration Report for the year ended 31 December 2015 was put to an advisory vote by way of an ordinary resolution that set out the detail of remuneration paid to Directors during 2015. The resolution was approved by shareholders on a poll. The table below sets out the proxy votes voted for, against and withheld against the resolution.

Resolution	For proxy votes and % of votes cast	Against proxy votes and % of votes cast	Withheld proxy votes
Advisory vote on the Remuneration Report for the year ended 31 December 2015	31,165,662 (99.9%)	11,507 (0.1%)	2,218,327

As at the date of the Company's AGM on 18 May 2016 the Company had 44,526,580 Ordinary Shares in issue. The Remuneration Committee considers that an against or withheld vote of 20% or more of the votes cast is deemed to be significant in connection with a resolution on Directors' remuneration. Based on the level of support at the 2016 AGM, the Committee did not consider that there were any significant issues of concern. In the event that a significant level of concern is raised at future AGMs, both the Chairman of the Board and the Chairman of the Remuneration Committee will contact the Company's major shareholders following an AGM to understand the precise detail of the concern being raised. Subject to that, the Committee and the Board as a whole will consider how best to address the concern being raised. This may involve a revision to the Company's Policy on Directors' Remuneration at a subsequent AGM or some other change which can be implemented without further shareholder consultation. The Committee and the Board are committed to an open and transparent dialogue with shareholders on material matters of concern.

The Remuneration Committee

The Remuneration Committee comprised the following members during 2016:

Caroline Thomson – Chairman, Mark Rollins, Lorraine Rienecker and Christopher Humphrey.

All of the Committee members are independent Non-Executive Directors.

The Committee, on behalf of the Board, determines the policy, base salaries, annual cash bonus arrangements, participation in incentive schemes, pension arrangements and all other benefits received by the Executive Directors.

The Committee also oversees the framework of remuneration for the Operations Executive, including terms of service, pay structure, annual cash bonus, pensions, share incentive arrangements and all other benefits.

The Committee invites individuals to attend meetings, as it deems necessary, to assist with consideration of remuneration matters. The Chairman, John McDonough, the Group Chief Executive, Stephen Bird, the Group Finance Director, Paul Hayes, the Group Company Secretary, Jon Bolton and the Group Business Development Director, Martin Green, attended meetings by invitation in the year ended 31 December 2016. The Executive Directors or members of the Operations Executive are not present when their own remuneration is being considered.

The remuneration of the Chairman and the Non-Executive Directors is determined by the Board as a whole, with the Chairman or the relevant Non-Executive Director abstaining when his or her remuneration is considered.

For further information regarding governance for the Remuneration Committee see pages 56 and 57 of this Annual Report.

External advisors

During 2016, the Committee received independent advice from Deloitte LLP as the Committee's remuneration advisor up until 2 June 2016 and from Kepler as the Committee's newly appointed remuneration advisor from 3 June 2016. The Committee decided to change remuneration advisor in preparation for work on the Policy to be submitted to shareholders at the 2017 AGM and ahead of a consultation with major shareholders as part of that work. Kepler have a wide range of experience and knowledge on executive remuneration for multinational companies such as the Company and are able to provide detailed background and context to enable the Committee to come to an informed decision on executive remuneration. During 2016 the level of fees paid to remuneration advisors totalled £53,085 (2015: £15,500) and this fee covered advice relating to disclosures in the 2015 Directors' Remuneration Report, measurement of performance conditions associated with long-term incentive arrangements, preparation of the 2017 Policy, consultation exercise with shareholders on the 2017 Policy and general remuneration advice. Kepler is a member of the Remuneration Consultants Group and operates under that group's voluntary code of practice for remuneration consultants in the UK. The Committee is satisfied that the advice it received from Kepler during 2016 was objective and independent. The Committee also received advice and administrative support during 2016 from the Group Company Secretary, Jon Bolton, and the Group Business Development Director, Martin Green.

This Annual Remuneration Report has been approved by the Remuneration Committee and signed on its behalf by:

Caroline Thomson

Chairman, Remuneration Committee

20 February 2017

Directors' Report

Strategic Report

The statements and reviews on pages 1 to 47 comprise the Strategic Report which contains certain information, outlined below, that is incorporated into this Directors' Report by reference:

- an indication of the Group's likely future business developments;
- an indication of the Group's research and development activities;
- information on the Group's policies for the employment of disabled persons and employee involvement; and
- the Group's disclosures regarding greenhouse gas emissions.

Directors

The Directors who held office at 31 December 2016 and up to the date of this report are set out on pages 46 and 47 along with their photographs and biographies.

Changes to the Board during the year and up to the date of this report were as follows:

Name	Effective Date	Position
Martin Green	Appointed on 4 January 2017	Executive Director, Group Business Development
Paul Hayes	Announced will resign in April 2017	Executive Director, Group Finance Director

All current Directors will be standing for reappointment at the forthcoming AGM to be held on Wednesday, 17 May 2017 with the exception of Paul Hayes who advised the Board of his resignation on 25 November 2016. He will leave the Board in April 2017. The remuneration of the Directors including their respective shareholdings in the Company is set out in the Remuneration Report on pages 64 to 85.

Directors' and Officers' liability insurance and indemnification of Directors

The Company maintains Directors' and Officers' liability insurance which gives appropriate cover for any legal action brought against its Directors. The Company has also granted indemnities to each of its Directors to the extent permitted by law. Qualifying third party indemnity provisions (as defined in Section 324 of the Companies Act 2006) have been adopted for each Director and indemnify in relation to certain losses and liabilities which the Directors may incur to third parties in the course of acting as Directors of the Company.

Share capital

The Company has only ordinary shares of 20 pence nominal value in issue. Note 4.3 to the consolidated financial statements on page 126 summarises the rights of the ordinary shares as well as the number issued during 2016. An analysis of shareholdings is shown on page 143. The closing mid-market price of a share of the Company on 31 December 2016, together with the range during the year, is also shown on page 143. For details of own shares held by the Company see note 4.3 to the consolidated financial statements.

Substantial shareholdings

As at 20 February 2017, the Company had been advised under the Disclosure Guidance and Transparency Rules, or had ascertained from its own analysis, that the following held interests of 3% or more of the voting rights of its issued share capital:

Shareholder	Number of voting rights	% of voting rights
Aberforth Partners	7,299,033	16.32
Alantra Asset Management (formerly Nmás1)	6,231,763	13.93
Fidelity Investments	4,627,993	10.35
JO Hambro Capital Management	4,007,712	8.96
Manfrotto	3,800,449	8.50
M&G Investment Management	3,112,201	6.96
Delta Lloyd Asset Management	2,849,548	6.37
Heronbridge Investment Management	2,359,786	5.28
Schroder Investment Management	1,996,069	4.46
Royal London Asset Management	1,967,532	4.40

Committees of the Board

The Board has established Audit, Nominations and Remuneration Committees. Details of these Committees, including membership and their activities during 2016, are contained in the Corporate Governance section of this Annual Report and in the Remuneration Report.

Corporate responsibility

The Group's report on corporate responsibility is set out on pages 36 to 45. The Group has a Code of Conduct which has been communicated to all employees and is available on the Company's website and intranet. The Group has also adopted specific policies which cover the following key areas: health and safety; risk and fraud; employment; whistleblowing; the environment; human rights; community impact and involvement; and relationships with suppliers, customers and other stakeholders. It regularly reviews these policies and revises them as and when necessary.

Corporate governance

The Group's report on corporate governance is on pages 48 to 63 and forms part of this Directors' Report.

Companies Act 2006 disclosures

In accordance with Section 992 of the Companies Act 2006 the Directors disclose the following information:

- The Company's capital structure and voting rights are summarised on page 126, and there are no restrictions on voting rights nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights;
- There exist no securities carrying special rights with regard to the control of the Company;
- Details of the substantial shareholders and their shareholdings in the Company are listed above;
- Shares awarded under the core award of the Company's Deferred Bonus Plan are held in a nominee capacity by the Employee Benefit Trust (EBT). The Trustees of the EBT do not seek to exercise voting rights on shares held in the EBT. No voting rights are exercised in relation to shares unallocated to individual beneficiaries;
- The rules concerning the appointment and replacement of Directors, amendment to the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006;
- There exist no agreements to which the Company is party that may affect its control following a takeover bid; and
- There exist no agreements between the Company and its Directors providing for compensation for loss of office that may occur because of a takeover bid.

Articles of Association

The Company's Articles of Association set out the rights of shareholders including voting rights, distribution rights, attendance at general meetings, powers of directors, proceedings of directors as well as borrowing limits and other governance controls. A copy of the Articles of Association can be requested from the Group Company Secretary.

Conflicts of interest

During the year no Director held any beneficial interest in any contract significant to the Company's business, other than a contract of employment. The Company has procedures set out in the Articles of Association for managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Group, they are required to notify the Board as soon as reasonably practicable.

Political donations

Further to shareholder approval at the 2013 AGM empowering the Directors to make political donations, it is confirmed that no such donations were made in the year ended 31 December 2016. The Company's policy is not to make political donations and a resolution to renew this authority on its four year expiry will be put to the 2017 AGM. The details of this resolution can be found in the accompanying Notice of Meeting.

Financial instruments

The financial risk management objectives and policies of the Group and the exposure of the Group to foreign currency risk, interest rate risk, and liquidity risk are outlined in note 4.2 to the consolidated financial statements on pages 121 and 122.

Going concern

The Directors have made appropriate enquiries and consider that the Group has adequate resources to continue in operational existence for the foreseeable future, which comprises the period of at least 12 months from the date of approval of the financial statements. There are no material uncertainties that would prevent the Directors from being unable to make this statement. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Statement of Directors' Responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- For the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- For the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and

- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy, at any time, the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In addition, each of the Directors considers that the Annual Report, taken as a whole, is fair, balanced and understandable and that it provides all the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information (as defined in Section 418(2) of the Companies Act 2006) of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Annual General Meeting (AGM)

The 2017 AGM will be held at 9.30am on Wednesday, 17 May 2017 at The Academy of Medical Sciences, 41 Portland Place, London W1B 1QH.

The Company will be making use of the electronic voting facility provided by its registrars, Capita Asset Services. The facility includes CREST voting for members holding their shares in uncertificated form. For further information, please refer to the section on online services and electronic voting set out in the notes to the Notice of Meeting.

The notice of the AGM and an explanation of the resolutions to be put to the meeting are set out in the Notice of Meeting accompanying this Annual Report. The Board fully supports all the resolutions and encourages shareholders to vote in favour of each of them as they intend to in respect of their own shareholdings.

Auditor

KPMG LLP has expressed its willingness to continue in office as auditor and separate resolutions will be proposed at the forthcoming AGM concerning their reappointment and to authorise the Board to agree their remuneration.

By order of the Board

Jon Bolton

Group Company Secretary

20 February 2017

Independent auditor's report to the members of The Vitec Group plc only

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of The Vitec Group plc for the year ended 31 December 2016 set out on pages 91 to 142. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risks of material misstatement, in decreasing order of audit significance, that had the greatest effect on our audit were as follows:

Overview

Materiality: Group financial statements as a whole £1.45m (2015: £1.5m)
5% (2015: 5%) of normalised profit before tax

Coverage 82% (2015: 78%) of Group profit before tax

Risks of material misstatement vs 2015

Recurring risks		
	Carrying value of inventory	➔
	Restructuring provision	⬆
	Current tax liability	➔
Event driven		
	New: Carrying value of goodwill	⬆

The risk

Our response included the following audit procedures:

Carrying value of inventory

(£57.9 million; 2015: £58.9 million)

Refer to note 3.3 of the financial statements
Refer to page 60 (Audit Committee Report) and page 112 (accounting policy and financial disclosures)

- The inventory held at the year end covers a wide range of products in different geographical regions and the demand for these and the ability of the Group to sell this inventory in the future may be adversely affected by many factors including changes in customer and consumer preferences, competitor activity including pricing and the introduction of new products and technology. This variability introduces an element of judgement into the valuation of inventory.
- There is judgement in determining whether a provision should be recognised and, if so, how it should be measured. The level of judgement is heightened given the wide range of products and the geographic spread of the operations.

- Inspecting the ageing of inventory, the accuracy of which was tested, to identify any slow moving inventory lines and assessing that these inventories have been provided for, where required;
- Critically assessing whether appropriate provisions have been established for slow-moving and obsolete items based on our knowledge of the business and discontinued productlines;
- Comparing recent sales prices for a sample of inventory items to their carrying values to assess whether the provision held is appropriate;
- Comparing the methodology and assumptions used by the Group in calculating the inventory provisions to those used in the prior years and, as part of this, we considered whether we would expect a change to the methodology and assumptions based on any changes to the current markets that the Group serves, noting the demand factors highlighted opposite;
- Assessing the historical accuracy of provisions recorded by examining the utilisation or release of previously recorded provisions; and
- Considering the adequacy of the Group's disclosures (see note 3.3) in relation to inventory.

Carrying value of goodwill

(£64.0 million; 2015: £66.7 million)

Refer to note 3.1 of the financial statements
Refer to page 60 (Audit Committee Report) and page 107 (accounting policy and financial disclosures)

- The Group has significant goodwill arising from the acquisition of businesses in the current year and also prevailing balances from previous acquisitions. This has been identified as a new significant risk during the year due to changing market conditions in the broadcast rental market, changes in trading activities in the defence industry and the identification of impairments by the Directors. The estimated recoverable amount is subjective, due to the inherent uncertainty involved in forecasting and discounting future cash flows.

- Obtaining the discounted cash flow models and assessing the principles and integrity of each model;
- Comparing the Group's valuation assumptions for its cash flow projections with reference to internally derived sources;
- Assessing the Group's historical forecasting accuracy;
- Challenging the key assumptions based on our own insights and experience on comparable companies and evaluating the appropriateness of the discount rate by using our own valuation specialists;
- Performing sensitivity analysis around the cash flow forecasts, long-term growth rates and discount rates to ascertain the extent of change in those assumptions that would be required for material changes in impairment; and
- Considering the adequacy of the Group's disclosures in respect of impairment testing and whether disclosures about the sensitivity in the outcome of the impairment assessment to changes in key assumptions properly reflected the risks inherent in the valuations.

The risk	Our response included the following audit procedures:
<p>Restructuring provision (£1.5 million; 2015: £3.2 million)</p> <p>Restructuring costs (£5.2 million; 2015: £4.9 million)</p> <p><i>Refer to notes 3.5 and 2.2 of the financial statements</i></p> <p><i>Refer to page 60 (Audit Committee Report) and pages 102 and 118 (accounting policy and financial disclosures)</i></p>	<ul style="list-style-type: none"> • The Group has continued to implement the restructuring programme which has developed to include further activities. Judgement is involved in determining whether the criteria for recognising a provision have been met at the balance sheet date for these further activities. There is also judgement in estimating the amount to provide for. • As these balances are presented as separately disclosed items, there is a risk that items are inappropriately classified as restructuring rather than operating expenses.
<p>Current tax liability (£8.1 million; 2015: £6.6 million)</p> <p><i>Refer to note 2.4 of the financial statements</i></p> <p><i>Refer to page 60 (Audit Committee Report) and page 103 (accounting policy and financial disclosures)</i></p>	<ul style="list-style-type: none"> • Critically assessing whether the further developed elements of the restructuring programmes were sufficiently formalised to meet the requirements for a provision to be recognised in accordance with relevant accounting standards; • Challenging the nature of the costs included in the provisions and the measurement of the amount provided for based on supporting evidence such as termination letters and onerous lease contracts; and • Challenging the classification of restructuring expenses as a separate line item or as part of operating expenses by considering the nature of the expense and the appropriate categorisation (see note 2.2).
<p>Current tax liability (£8.1 million; 2015: £6.6 million)</p> <p><i>Refer to note 2.4 of the financial statements</i></p> <p><i>Refer to page 60 (Audit Committee Report) and page 103 (accounting policy and financial disclosures)</i></p>	<ul style="list-style-type: none"> • Tax provisions require the Directors to make judgements and estimates in relation to tax issues and exposures given the Group operates in a number of tax jurisdictions, the complexities of transfer pricing and other international tax legislation and the time taken for tax matters to be agreed with the tax authorities. The complexity is increased as a result of acquisitions and Group reorganisation activities in the current year. • Involving our own tax specialists to challenge the appropriateness of the assumptions applied and estimates made in relation to current tax liabilities by considering the range of possible outcomes that may be assessed under the applicable tax laws and relevant tax authorities; • Assessing the impact of recent acquisitions and Group reorganisation of certain activities on the level of provisions; • Assessing the historical accuracy of provisions recorded by examining the utilisation or release of previously recorded provisions; and • Assessing whether the Group's tax disclosures set out in note 2.4 are appropriate and in accordance with relevant accounting standards.

We continue to perform procedures over recoverability of debtors. However, following continued strong cash collection and historical robustness of provisions, the inherent risk of material misstatement is considered to have reduced to the extent that we have not assessed this as one of the risks that had the greatest effect on our audit and therefore, it is not separately identified in our report this year.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £1.45 million (2015: £1.5 million), determined with reference to a benchmark of Group profit before tax, normalised to exclude this year's restructuring costs, impairment of goodwill and charges associated with acquisition of businesses (of which it represents 5%; 2015: 5%). For those items excluded from normalised Group profit before tax, the component teams performed procedures on items relating to their components. The Group team performed procedures on the remaining excluded items.

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £72,500 (2015: £75,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

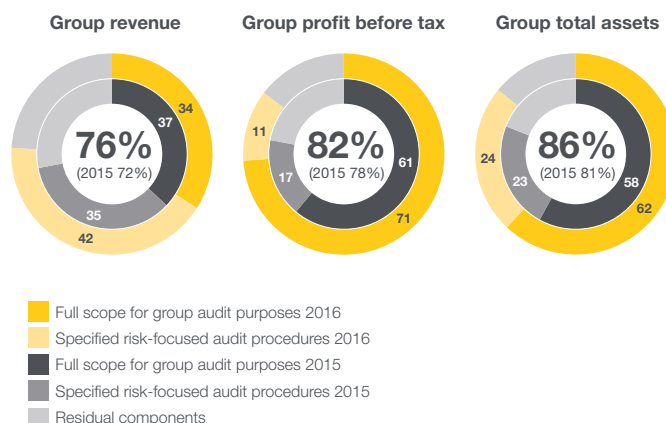
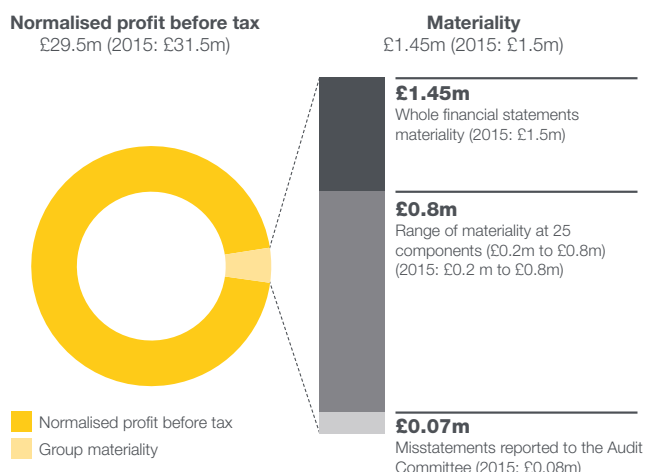
The Group has 51 reporting components. Of the Group's 51 (2015: 49) reporting components, we subjected 19 (2015: 22) to full scope audits for Group purposes and six (2015: five) to specified risk-focused audit procedures. The components within the scope of our work accounted for the percentages of the Group's results as shown in the charts on the following page.

Components for which specified risk focused audit procedures were performed were not individually financially significant enough to require an audit for Group reporting purposes, but did present specific individual risks that needed to be addressed. The remaining 24% of total Group revenue, 18% of Group profit before tax and 14% of total Group assets is represented by 26 reporting components, none of which individually represented more than 10% of any of total Group revenue, Group profit before tax or total Group assets. For these remaining components, we performed analysis at an aggregated Group level to reexamine our assessment that there were no significant risks of material misstatement within these.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks and the information to be reported back. The audits undertaken for Group reporting purposes at the key reporting components of the Group were all performed to the lower of statutory materiality or materiality of £0.8 million set by the Group audit team, having regard to the mix of size and risk profile of the Group across the components. The work on seven of the 25 components was performed by component auditors and the rest by the Group audit team.

The Group audit team visited reporting components in the following locations: UK, US and Italy. Telephone conference meetings were also held with these component auditors and others that were not physically visited. At these visits and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

Independent auditor's report to the members of The Vitec Group plc only



4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' Viability Statement on page 34, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three years to 2019; or
- the disclosures in Section 1 of the financial statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the Corporate Governance section does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statements, set out on page 34 and 87, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on pages 48 to 63 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 87, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Adrian Wilcox (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London
E14 5GL
20 February 2017

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Each section sets out the accounting policies applied in producing these notes together with any key judgements and estimates used. Text boxes provide an introduction to each section.

Consolidated Income Statement

For the year ended 31 December 2016

	Notes	2016 £m	2015 £m
Revenue	2.1	376.2	317.8
Cost of sales	2.2	(228.1)	(188.9)
Gross profit		148.1	128.9
Operating expenses	2.1 / 2.2	(133.6)	(106.5)
Operating profit	2.1	14.5	22.4
Comprising			
- Operating profit before restructuring costs, charges associated with acquisition of businesses and impairment of goodwill		41.5	35.4
- Restructuring costs	2.2	(5.2)	(4.9)
- Charges associated with acquisition of businesses	2.2	(9.7)	(8.1)
- Impairment of goodwill	2.2	(12.1)	-
		14.5	22.4
Net finance expense	2.3	(4.0)	(3.9)
Profit before tax		10.5	18.5
Comprising			
- Profit before tax, excluding restructuring costs, charges associated with acquisition of businesses and impairment of goodwill		37.5	31.5
- Restructuring costs		(5.2)	(4.9)
- Charges associated with acquisition of businesses		(9.7)	(8.1)
- Impairment of goodwill		(12.1)	-
		10.5	18.5
Taxation	2.4	(1.5)	(5.5)
Profit for the year attributable to owners of the parent		9.0	13.0
Earnings per share	2.5		
Basic earnings per share		20.2p	29.3p
Diluted earnings per share		20.1p	29.2p
Average exchange rates			
Euro		1.22	1.38
US\$		1.35	1.53

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	2016 £m	2015 £m
Profit for the year	9.0	13.0
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit obligation	(6.4)	1.5
Related tax	1.0	(0.5)
Items that are or may be reclassified to profit or loss:		
Currency translation differences on foreign currency subsidiaries	37.7	4.2
Net investment hedges - net loss	(16.6)	(1.5)
Cash flow hedges - reclassified to the Income Statement, net of tax	0.8	0.6
Cash flow hedges - effective portion of changes in fair value	(4.6)	(1.5)
Related tax	0.9	0.5
Other comprehensive income, net of tax	12.8	3.3
Total comprehensive income for the year attributable to owners of the parent	21.8	16.3

Consolidated Balance Sheet

As at 31 December 2016

	Notes	2016 £m	2015 £m
Assets			
Non-current assets			
Intangible assets	3.1	99.0	90.7
Property, plant and equipment	3.2	54.0	53.8
Trade and other receivables	3.3	0.9	0.6
Derivative financial instruments	4.2	0.2	0.1
Deferred tax assets	2.4	26.6	15.2
		180.7	160.4
Current assets			
Assets held for sale	3.2	-	1.0
Inventories	3.3	57.9	58.9
Trade and other receivables	3.3	66.2	50.7
Derivative financial instruments	4.2	0.2	0.5
Current tax assets	2.4	0.7	0.9
Cash and cash equivalents	4.1	17.1	13.6
		142.1	125.6
Total assets		322.8	286.0
Liabilities			
Current liabilities			
Bank overdrafts	4.1	0.3	1.1
Interest-bearing loans and borrowings	4.1	40.9	0.2
Trade and other payables	3.3	55.3	43.5
Derivative financial instruments	4.2	4.8	1.7
Current tax liabilities	2.4	8.1	6.6
Provisions	3.5	4.9	8.1
		114.3	61.2
Non-current liabilities			
Interest-bearing loans and borrowings	4.1	51.0	88.6
Derivative financial instruments	4.2	1.2	0.5
Post-employment obligations	5.2	13.0	6.1
Provisions	3.5	1.1	1.2
Deferred tax liabilities	2.4	2.4	2.1
		68.7	98.5
Total liabilities		183.0	159.7
Net assets		139.8	126.3
Equity			
Share capital		9.0	8.9
Share premium		15.4	14.3
Translation reserve		16.8	(4.3)
Capital redemption reserve		1.6	1.6
Cash flow hedging reserve		(3.9)	(1.0)
Retained earnings		100.9	106.8
Total equity	4.3	139.8	126.3
Balance Sheet exchange rates			
Euro		1.17	1.36
US\$		1.24	1.48

Approved by the Board on 20 February 2017 and signed on its behalf by:

Paul Hayes
Group Finance Director

Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Translation reserve £m	Capital redemption reserve £m	Cash flow hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2016	8.9	14.3	(4.3)	1.6	(1.0)	106.8	126.3
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	9.0	9.0
Other comprehensive income/(expense) for the year	-	-	21.1	-	(2.9)	(5.4)	12.8
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	(11.1)	(11.1)
Own shares purchased	-	-	-	-	-	(0.1)	(0.1)
Share-based payment charge	-	-	-	-	-	1.6	1.6
Related tax	-	-	-	-	-	0.1	0.1
New shares issued	0.1	1.1	-	-	-	-	1.2
Balance at 31 December 2016	9.0	15.4	16.8	1.6	(3.9)	100.9	139.8
Balance at 1 January 2015	8.9	13.4	(7.0)	1.6	(0.6)	102.3	118.6
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	13.0	13.0
Other comprehensive income/(expense) for the year	-	-	2.7	-	(0.4)	1.0	3.3
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	(10.7)	(10.7)
Share-based payment charge	-	-	-	-	-	1.1	1.1
Related tax	-	-	-	-	-	0.1	0.1
New shares issued	-	0.9	-	-	-	-	0.9
Balance at 31 December 2015	8.9	14.3	(4.3)	1.6	(1.0)	106.8	126.3

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 £m	2015 £m
Cash flows from operating activities			
Profit for the year		9.0	13.0
Adjustments for:			
Taxation		1.5	5.5
Depreciation		15.3	13.8
Amortisation of intangible assets		11.0	7.8
Impairment of intangible assets		12.1	0.2
Net gain on disposal of property, plant and equipment and software		(1.5)	(1.2)
Fair value losses on derivative financial instruments		0.4	0.1
Share-based payment charge		1.6	1.1
Earnout payments and purchase price adjustment		1.2	2.6
Net finance expense		4.0	3.9
Operating profit before changes in working capital and provisions		54.6	46.8
Decrease/(increase) in inventories		11.2	(3.0)
(Increase)/decrease in receivables		(4.5)	0.8
Increase/(decrease) in payables		5.3	(3.0)
(Decrease)/increase in provisions		(1.8)	0.1
Cash generated from operating activities		64.8	41.7
Interest paid		(5.2)	(4.0)
Tax paid		(7.2)	(5.6)
Net cash from operating activities		52.4	32.1
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and software		9.0	4.7
Purchase of property, plant and equipment		(13.4)	(16.4)
Capitalisation of software and development costs		(3.4)	(4.2)
Acquisition of businesses, net of cash acquired	3.4	(20.3)	(9.0)
Cash outflow on previous disposal		(1.5)	(0.7)
Net cash used in investing activities		(29.6)	(25.6)
Cash flows from financing activities			
Proceeds from the issue of shares		1.2	0.9
Own shares purchased		(0.1)	-
(Repayment of)/proceeds from interest-bearing loans and borrowings		(13.6)	8.5
Dividends paid		(11.1)	(10.7)
Net cash used in financing activities		(23.6)	(1.3)
(Decrease)/increase in cash and cash equivalents	4.1	(0.8)	5.2
Cash and cash equivalents at 1 January		12.5	7.9
Effect of exchange rate fluctuations on cash held		5.1	(0.6)
Cash and cash equivalents at 31 December		16.8	12.5

Section 1 – Basis of Preparation

This section sets out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

The Vitec Group plc (the "Company") is a company domiciled in the United Kingdom. The consolidated financial statements of the Company as at and for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group").

As required by EU law (IAS Regulation EC 1606/2002) the Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS"), and have been approved by the Directors.

The financial statements are principally prepared on the basis of historical cost. Areas where other bases are applied are identified in the accounting policy outlined in the relevant note.

The Company has elected to prepare its parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. In addition, note 4.2 "Financial Instruments" includes the Group's financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to foreign currency risks, interest rate risks and liquidity risks.

The Group has considerable financial resources, including undrawn borrowing facilities at the end of the year of £86.7 million (see note 4.2 "Financial Instruments"). The Directors believe that the Group is well placed to manage its business risks.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Basis of consolidation

Subsidiaries are entities that are directly or indirectly controlled by the Group. Control exists when the Group has the rights to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The results of subsidiaries sold or acquired during the year are included in the financial statements up to, or from, the date that control exists.

Foreign Currencies

The consolidated financial statements are presented in Sterling with the reporting currency of the Group's subsidiaries generally being that of the local country.

Transactions in foreign currencies are translated at the exchange rate on that day.

Foreign currency monetary assets and liabilities are translated at the year end exchange rate. Where there is a movement in the exchange rate between the date of the transaction and the year end, a currency translation gain or loss may arise. Any such differences are recognised in the Income Statement.

Non-monetary assets and liabilities measured at historical cost are translated at the exchange rate on the day of the transaction, unless they are stated at fair value in which case they are translated at the exchange rate of the day the fair value was determined.

The assets and liabilities of overseas companies, including goodwill and fair value adjustments arising on consolidation, are translated at the year end exchange rate.

The revenues and expenses of these companies are translated at the weighted average exchange rate for the year. Where differences arise between these rates, they are recognised in the translation reserve within equity and other comprehensive income.

The cash flows of these companies are translated at the weighted average exchange rate for the year.

In the consolidated financial statements, currency translation gains and losses on external loans and borrowings and on long-term inter company loans that form part of the net investment in the subsidiaries are recognised directly in the translation reserve within equity and other comprehensive income.

In respect of all overseas companies, only those translation differences arising since 1 January 2004, the date of transition to IFRS, are presented as a separate component of equity. On disposal of such a company, the related translation reserve is released to the Income Statement as part of the gain or loss on disposal.

Section 1 – Basis of preparation

Significant judgements, key assumptions and estimates

The following provides information on those policies that the Directors consider critical because of the level of judgement and estimation required which often involves assumptions regarding future events which can vary from what is anticipated. The Directors review the judgements and estimates on an ongoing basis with revisions to accounting estimates recognised in the period in which the estimates are revised and in any future periods affected. The Directors believe that the consolidated financial statements reflect appropriate judgements and estimates and provide a true and fair view of the Group's performance and financial position.

Working capital

Provisions over trade receivables are maintained to reflect expected credit losses based on collection history and specific risks identified on a customer-by-customer basis. Provisions against slow-moving, excess and obsolete inventory are estimated to reflect its net realisable value. See note 3.3 "Working Capital".

Pension benefits

The actuarial valuations associated with the pension schemes involve making assumptions about discount rates, future salary increases, future pension increases and mortality rates. All assumptions are reviewed at each reporting date. Further details about the assumptions used are set out in note 5.2 "Pensions".

Impairment testing

Goodwill is tested annually for impairment. Tests for impairment are based on discounted cash flows and assumptions (including discount rates, timing and growth prospects) which are inherently subjective. Details about the assumptions used are set out in note 3.1 "Intangible assets".

Acquisitions

Acquisitions are accounted for under the acquisition method, based on the fair value of the consideration paid. Assets, liabilities and assumed contingent considerations are measured at fair value and the purchase price is allocated to assets and liabilities based on these fair values. IFRS 3 requires the identification of acquired intangible assets as part of a business combination. The methods used to value such intangible assets require the use of estimates including forecast performance. Accordingly, determining the fair values of assets and liabilities acquired and assumed contingent considerations involves the use of significant estimates and assumptions (including discount rates, asset lives and recoverability and forecast performance). Details concerning the acquisitions made in the year are set out in note 3.4 "Acquisitions".

Tax

The Group is subject to income taxes in a number of jurisdictions. Management is required to make judgements and estimates in determining the provisions for income taxes and deferred tax assets and liabilities recognised in the consolidated financial statements. Tax benefits are recognised to the extent that it is probable that sufficient taxable income will be available in the future against which temporary differences and unused tax losses can be utilised. Details on the tax charge and assets and liabilities recorded are set out in note 2.4 "Tax".

New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations will become effective for the Group in future years.

IFRS 16 "Leases" was revised on 13 January 2016 and is effective for the 31 December 2019 year end. The adoption of this standard removes the distinction between operating and finance leases and will result in all operating leases, above a de minimis level, being capitalised with the associated assets and liabilities being brought on to the Balance Sheet. Given the effective date of the standard, the Directors have not yet evaluated the full impact.

The adoption of the following standards is not expected to have a significant impact on these consolidated financial statements. They are effective for the 31 December 2018 year end:

IFRS 15 "Revenue from Contracts with Customers"

IFRS 9 "Financial Instruments"

Section 2 – Results for the Year

This section focuses on the profitability of the Group. On the following pages you will find disclosures relating to the following:

2.1 Profit before tax (including segmental information)

2.2 Restructuring costs, charges associated with acquisition of businesses and impairment of goodwill

2.3 Net finance expense

2.4 Tax

2.5 Earnings per share

2.1 Profit before tax (including segmental information)

This shows the analysis of the Group's profit before tax by reference to its two Divisions. Further segmental information and an analysis of key operating expenses are also shown here.

Accounting policies

Revenue recognition

Revenue is stated exclusive of sales tax and consists of sales to third parties after an allowance for returns, trade discounts and volume rebates.

Goods and services sold

Revenue from the sale of goods is recognised when both the significant risks and rewards of ownership have been transferred to the customer and the amount of revenue can be measured reliably. This is normally when title passes to the customer.

Revenue from rental of assets and high-end technical services is recognised over the duration of the rental contract, on a straight line basis, at the amount billed to the customer.

Section 2 – Results for the Year

2.1 Profit before tax (including segmental information)

Segment reporting

The Group has two reportable segments which are reported in a manner that is consistent with the internal reporting provided to the Chief Operating Decision Maker (considered to be the Board). Further details on the nature of these segments and the products and services they provide are contained in the Strategic Report.

	Broadcast		Photographic		Corporate and unallocated		Consolidated	
	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m
Revenue from external customers:								
Sales	190.9	160.3	151.4	128.8	-	-	342.3	289.1
Services	33.9	28.7	-	-	-	-	33.9	28.7
Total revenue from external customers	224.8	189.0	151.4	128.8	-	-	376.2	317.8
Inter-segment revenue ⁽¹⁾	0.4	0.9	0.6	0.2	(1.0)	(1.1)	-	-
Total revenue	225.2	189.9	152.0	129.0	(1.0)	(1.1)	376.2	317.8
Segment result	21.0	20.3	20.5	15.1	-	-	41.5	35.4
Restructuring costs	(3.4)	(4.1)	(1.8)	(0.8)	-	-	(5.2)	(4.9)
Earnout payments and purchase price adjustment	(1.3)	(2.6)	0.1	-	-	-	(1.2)	(2.6)
Transaction costs relating to acquisition of businesses	(0.5)	(0.1)	(0.1)	-	-	-	(0.6)	(0.1)
Amortisation of acquired intangible assets	(7.1)	(4.8)	(0.8)	(0.6)	-	-	(7.9)	(5.4)
Impairment of goodwill	(12.1)	-	-	-	-	-	(12.1)	-
Operating profit	(3.4)	8.7	17.9	13.7	-	-	14.5	22.4
Net finance expense							(4.0)	(3.9)
Taxation							(1.5)	(5.5)
Profit for the year							9.0	13.0
Segment assets	182.1	172.2	94.8	82.7	1.5	1.4	278.4	256.3
Unallocated assets								
Cash and cash equivalents					17.1	13.6	17.1	13.6
Current tax assets					0.7	0.9	0.7	0.9
Deferred tax assets					26.6	15.2	26.6	15.2
Total assets							322.8	286.0
Segment liabilities	38.2	28.1	31.3	26.0	10.8	7.0	80.3	61.1
Other liabilities								
Bank overdrafts	-	-	0.3	-	-	1.1	0.3	1.1
Interest-bearing loans and borrowings	-	-	1.1	0.4	90.8	88.4	91.9	88.8
Current tax liabilities	-	-	-	-	8.1	6.6	8.1	6.6
Deferred tax liabilities	-	-	-	-	2.4	2.1	2.4	2.1
Total liabilities							183.0	159.7
Cash flows from operating activities	34.5	19.4	18.6	15.2	(0.7)	(2.5)	52.4	32.1
Cash flows from investing activities	(25.2)	(21.7)	(4.3)	(3.9)	(0.1)	-	(29.6)	(25.6)
Cash flows from financing activities	-	-	1.1	0.4	(24.7)	(1.7)	(23.6)	(1.3)
Capital expenditure								
Property, plant and equipment	10.8	14.1	2.6	2.3	-	-	13.4	16.4
Software and development costs	1.8	2.6	1.5	1.6	0.1	-	3.4	4.2

⁽¹⁾ Inter-segment pricing is determined on an arm's length basis.

No individual customer accounted for more than 10% of external revenue in either 2016 or 2015.

Geographical segments

	2016 £m	2015 £m
Analysis of revenue from external customers, by location of customer		
United Kingdom	35.5	31.5
The rest of Europe	80.5	64.0
North America	180.9	150.2
Asia Pacific	68.7	55.9
The rest of the World	10.6	16.2
Total revenue from external customers	376.2	317.8

The Group's operations are located in several geographical locations, and sell products and services on to external customers in all parts of the world.

Operating expenses

	2016 £m	2015 £m
Analysis of operating expenses		
- Restructuring costs ⁽¹⁾	4.7	4.0
- Charges associated with acquisition of businesses ⁽²⁾	9.7	8.1
- Impairment of goodwill ⁽²⁾	12.1	-
- Other administrative expenses	46.8	40.5
Administrative expenses	73.3	52.6
Marketing, selling and distribution costs	47.1	42.5
Research, development and engineering costs	13.2	11.4
Operating expenses	133.6	106.5

⁽¹⁾ Of the total £5.2 million (2015: £4.9 million) restructuring costs, £4.7 million (2015: £4.0 million) is included in operating expenses and £0.5 million (2015: £0.9 million) in cost of sales.

⁽²⁾ See note 2.2 "Restructuring costs, charges associated with acquisition of businesses and impairment of goodwill".

Operating profit

	2016 £m	2015 £m
The following items are included in operating profit		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	0.1	0.1
Fees payable to the Company's auditor and its associates for other services		
- The audit of the Company's subsidiaries pursuant to legislation	0.4	0.4
- Transaction and other services	0.2	0.1

Section 2 – Results for the Year

2.2 Restructuring costs, charges associated with acquisition of businesses and impairment of goodwill

Restructuring costs, charges associated with acquisition of businesses and impairment of goodwill are excluded from key performance measures in order to more accurately show the underlying current business performance of the Group in a consistent manner. This also reflects how the business is managed and measured on a day-to-day basis. Restructuring costs comprise employment termination and other site rationalisation costs. Charges associated with acquisition of businesses include non-cash charges such as amortisation of acquired intangible assets and cash charges such as transaction costs and earnout payments.

	2016 £m	2015 £m
Restructuring costs ⁽¹⁾	(5.2)	(4.9)
Earnout payments and purchase price adjustment ⁽²⁾	(1.2)	(2.6)
Transaction costs relating to acquisition of businesses ⁽³⁾	(0.6)	(0.1)
Amortisation of acquired intangible assets	(7.9)	(5.4)
Charges associated with acquisition of businesses	(9.7)	(8.1)
Impairment of goodwill ⁽⁴⁾	(12.1)	-

⁽¹⁾ Restructuring costs of £5.2 million primarily relate to the Group streamlining certain operations by downsizing selected activities mainly in the UK, US and Europe. This specific restructuring programme commenced in 2015 and finished in 2016. This comprises employment termination costs of £3.5 million and other rationalisation costs of £1.7 million. Of the total £5.2 million restructuring costs, £4.7 million is in operating expenses and the remaining £0.5 million is included in cost of sales. A provision of £1.5 million has been recognised at the end of the period in relation to restructuring primarily related to committed redundancy costs. These actions have better positioned the Group for the future.

⁽²⁾ A net charge of £1.2 million relates to earnout payable of £1.4 million (US\$2.0 million) and a credit on the receipt of £0.2 million for the purchase price adjustment of Autocue (acquired in 2014) which was agreed with the vendors during the year. See note 3.4 "Acquisitions". The earnout to Wooden Camera was as a result of its performance for the year ending 31 December 2016. See note 3.5 "Provisions".

⁽³⁾ Transaction costs of £0.6 million were incurred in relation to acquisitions in the year. See note 3.4 "Acquisitions".

⁽⁴⁾ The annual impairment review of goodwill led to an impairment charge of £12.1 million (US broadcast services business: £4.2 million, Haigh-Farr: £7.9 million, both in the Broadcast Division). See note 3.1 "Intangible assets".

2.3 Net finance expense

This note details the finance income and expense generated from the Group's financial assets and liabilities.

Accounting policies

Net finance expense comprises:

- interest payable on borrowings and interest receivable on funds invested;
- the amortisation of loan costs;
- other interest receivable;
- foreign exchange gains and losses on cash and inter company loans that are not net investment hedges; and
- net interest expense on net defined benefit scheme liabilities.

Net finance expense

	2016 £m	2015 £m
Finance income		
Net currency translation gains	0.4	0.3
Finance expense		
Interest payable on interest-bearing loans and borrowings	(4.2)	(4.0)
Net interest expense on net defined benefit pension scheme liabilities ⁽¹⁾	(0.2)	(0.2)
	(4.4)	(4.2)
Net finance expense	(4.0)	(3.9)

⁽¹⁾ See note 5.2 "Pensions".

2.4 Tax

This note sets out the tax accounting policies, the total tax charge or credit in the Income Statement, and tax assets and tax liabilities in the Balance Sheet. This includes amounts relating to deferred tax.

Accounting policies

Income tax

The tax expense in the Income Statement represents the sum of tax currently payable and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the Balance Sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates substantively enacted at the Balance Sheet date.

Deferred tax assets are recognised for all deductible temporary differences and carried forward unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Balance Sheet date and increased or reduced to the extent of the probable level of taxable profit that would be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax liabilities are not recognised for the following temporary differences:

- Goodwill not deductible for tax purposes on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- Differences relating to investments in subsidiaries to the extent that the timing of the reversal is controlled by the Company and they will probably not reverse in the foreseeable future.

Tax - Income Statement

	2016 £m	2015 £m
The total taxation charge in the Income Statement is analysed as follows:		
Before restructuring costs, charges associated with acquisition of businesses and impairment of goodwill		
Current tax	13.3	7.5
Deferred tax	(3.1)	2.1
	10.2	9.6
Restructuring costs, charges associated with acquisition of businesses and impairment of goodwill		
Current tax ⁽¹⁾	(4.9)	(1.2)
Deferred tax ⁽²⁾	(3.8)	(2.9)
	(8.7)	(4.1)
Summarised in the Income Statement as follows:		
Current tax	8.4	6.3
Deferred tax	(6.9)	(0.8)
	1.5	5.5

⁽¹⁾ Current tax credits of £4.9 million (2015: £1.2 million) were recognised in the year of which £0.7 million (2015: £0.2 million) related to restructuring costs and £4.2 million (2015: £1.0 million) related to amortisation of intangible assets.

⁽²⁾ Deferred tax credits of £3.8 million (2015: £2.9 million) were recognised in the year of which £1.1 million (2015: £1.1 million) related to restructuring costs, £0.7 million (2015: £1.0 million) to acquisitions and £2.0 million (2015: £0.8 million) to amortisation of intangible assets.

Section 2 – Results for the Year

2.4 Tax

	2016 £m	2015 £m
Current tax expense		
Charge for the year	8.9	6.0
Adjustments in respect of prior years	(0.5)	0.3
Total current tax expense	8.4	6.3

The UK current tax charge represents a charge of £0.3 million (2015: £0.1 million) of the total Group current tax charge of £8.4 million (2015: £6.3 million), with the remaining £8.1 million (2015: £6.2 million) charge relating to overseas tax.

	2016 £m	2015 £m
Deferred tax credit		
Origination and reversal of temporary differences	(6.2)	(0.8)
Adjustments in respect of prior years	(0.7)	-
Total deferred tax credit	(6.9)	(0.8)

The UK deferred tax credit represents £1.6 million (2015: £0.8 million) and the US deferred tax credit represents £5.3m (2015: £nil) of the total Group deferred tax credit of £6.9 million (2015: £0.8 million), with £nil (2015: £nil) relating to overseas tax. Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020 and replacing the rate enacted in 2015) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The UK deferred tax asset at 31 December 2016 has been calculated based on these rates.

A reduction in the Italian corporate income tax (IRES) rate from 27.5% to 24% from 1 January 2017 has been enacted by the Italian Parliament. The Italian deferred tax asset at 31 December 2016 has been calculated based on these rates.

	2016 £m	2015 £m
Tax charge in Statement of Changes in Equity (SOCIE)		
Current tax recognised in SOCIE ⁽³⁾	-	-
Deferred tax recognised in SOCIE ⁽⁴⁾	0.1	0.4
	0.1	0.4

⁽³⁾ No current tax deductions have been reflected in the SOCIE in both the current and prior year.

⁽⁴⁾ A deferred tax charge of £0.1 million (2015: £0.4 million) relating to the impact of share based payments on outstanding options, has been reflected in the SOCIE.

	2016 £m	2015 £m
Reconciliation of Group tax charge		
Profit before tax	10.5	18.5
Income tax using the domestic corporation tax rate at 20% (2015: 20.25%)	2.1	3.7
Effect of tax rates in foreign jurisdictions	(1.4)	0.7
Non-deductible expenses	1.5	0.3
Impact of tax credits in respect of prior years	(1.2)	0.4
Impact of tax losses not recognised	(0.3)	1.2
Other	0.8	(0.8)
Total income tax expense in Income Statement	1.5	5.5

Tax - Balance Sheet

Current tax

The current tax liability of £8.1 million (2015: £6.6 million) represents the amount of income taxes payable in respect of current and prior periods. The current tax asset of £0.7 million (2015: £0.9 million) mainly relates to income tax receivable in the UK, the US and France.

The Group is potentially subject to tax audits in many jurisdictions. By their nature these are often complex and could take a significant period of time to be agreed with the tax authorities. The Group estimates and accrues taxes that will ultimately be payable when reviews or audits by tax authorities of tax returns are completed. These estimates include Management judgements about the position expected to be taken by each tax authority, primarily in respect of transfer pricing as well as in respect of financing arrangements and tax credits and incentives.

Management estimates of the level of risk arising from tax audit may change in the next year as a result of changes in legislation or tax authority practice or correspondence with tax authorities during a specific tax audit. It is not possible to quantify the impact that such future developments may have on the Group's tax positions. Actual outcomes and settlements may differ significantly from the estimates recorded in these consolidated financial statements.

Deferred tax assets and liabilities

	2016 £m	Recognised in income £m	Recognised in reserves £m	Exchange movements £m	2015 £m
Assets					
Inventories	3.0	0.1	-	0.2	2.7
Intangible assets	(0.3)	2.9	-	(0.2)	(3.0)
Tax value of loss carry-forwards recognised	6.3	0.5	-	1.0	4.8
Property, plant, equipment & other	17.6	3.3	1.7	1.9	10.7
	26.6	6.8	1.7	2.9	15.2
Liabilities					
Intangible assets	(2.4)	0.1	-	(0.4)	(2.1)
Net	24.2	6.9	1.7	2.5	13.1

	2015 £m	Recognised in income £m	Recognised in reserves £m	Exchange movements £m	2014 £m
Assets					
Inventories	2.7	0.3	-	(0.1)	2.5
Intangible assets	(3.0)	2.2	-	(0.1)	(5.1)
Tax value of loss carry-forwards recognised	4.8	(1.8)	-	0.3	6.3
Property, plant, equipment & other	10.7	0.3	(0.4)	0.3	10.5
	15.2	1.0	(0.4)	0.4	14.2
Liabilities					
Intangible assets	(2.1)	(0.2)	-	(0.1)	(1.8)
Net	13.1	0.8	(0.4)	0.3	12.4

Deferred tax assets have been offset against liabilities where assets and liabilities arise in the same jurisdiction and there is a legal right of offset.

Deferred tax assets totalling £17.5 million (2015: £9.8 million) have been recognised in the US on the basis that future profits are expected to be made across all of the US businesses such that it is probable that these assets will be utilised in the foreseeable future.

Deferred tax assets have not been recognised in respect of losses of £17.3 million (2015: £16.1 million) because it is not sufficiently probable that these assets will reverse in the foreseeable future.

No taxes have been provided for liabilities which may arise on the distribution of unremitted earnings of subsidiaries on the basis of control, except where distributions of such profits are planned. Cumulative unremitted earnings of overseas subsidiaries totalled approximately £40.8 million at 31 December 2016 (2015: £23.3 million). It is not practical to calculate the tax which would arise on remittance of these amounts and, as dividends remitted from overseas subsidiaries to the UK should be exempt from additional UK tax, no significant tax charges would be expected.

Section 2 – Results for the Year

2.5 Earnings per share

Earnings per share (“EPS”) is the amount of post-tax profit attributable to each share.

Basic EPS is calculated on the profit for the year divided by the weighted average number of ordinary shares in issue during the year.

Diluted EPS is calculated on the profit for the year divided by the weighted average number of ordinary shares in issue during the year, but adjusted for the effects of dilutive share options. The key features of share option contracts are described in note 5.3 “Share-based payments”.

The adjusted EPS measure is used by management to assess the underlying performance of the ongoing businesses, and therefore excludes restructuring costs, charges associated with acquisition of businesses and impairment of goodwill, all net of tax.

The calculation of basic, diluted and adjusted EPS is set out below:

	2016 £m	2015 £m
Profit for the financial year	9.0	13.0
Add back restructuring costs, charges associated with acquisition of businesses and impairment of goodwill, net of tax	18.3	8.9
Earnings before restructuring costs, charges associated with acquisition of businesses and impairment of goodwill	27.3	21.9

	Weighted average number of shares '000		Adjusted earnings per share		Earnings per share	
	2016 Number	2015 Number	2016 pence	2015 pence	2016 pence	2015 pence
Basic	44,568	44,364	61.3	49.4	20.2	29.3
Dilutive potential ordinary shares	96	133	(0.1)	(0.1)	(0.1)	(0.1)
Diluted	44,664	44,497	61.2	49.3	20.1	29.2

Section 3 – Operating Assets and Liabilities

This section shows the assets and liabilities used to generate the Group's trading performance. Liabilities relating to the Group's financing activities are addressed in Section 4. Current tax and deferred tax assets and liabilities are shown in Section 2.4 "Tax".

On the following pages, there are disclosures covering the following:

3.1 Intangible assets

3.2 Property, plant and equipment

3.3 Working capital

3.4 Acquisitions

3.5 Provisions

3.1 Intangible assets

This shows the non-physical assets used by the Group to generate revenues and profits. These assets include the following:

- Goodwill
- Acquired intangible assets
- Software
- Capitalised development costs

Accounting policies

Goodwill

The goodwill recognised by the Group has all arisen as a result of acquisitions and is stated at cost less any accumulated impairment losses. Goodwill is allocated on acquisition to cash-generating units ("CGU") that are anticipated to benefit from the combination, and is not subject to amortisation but is tested annually for impairment. Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill relates. This estimate of recoverable amount is determined at each Balance Sheet date.

The estimate of recoverable amount requires significant assumptions to be made and is based on a number of factors such as the near-term business outlook for the CGU, including both its operating profit and operating cash flow performance. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised. Impairment losses on goodwill are not reversed.

All acquisitions that have occurred since 1 January 2010 are accounted for by applying the acquisition method. Goodwill on these acquisitions represents the excess of the fair value of the acquisition over the fair value to the Group of the identifiable net assets acquired, all measured at the acquisition date. Subsequent adjustments to the fair values of net assets acquired can be made within twelve months of the acquisition date where original fair values were determined provisionally. These adjustments are accounted for from the date of acquisition. Transaction costs that the Group incurs in connection with an acquisition, such as legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred.

Other intangible assets

Other intangible assets are either acquired or internally generated (such as capitalised development costs).

Acquired intangible assets

Other intangible assets acquired as part of a business combination are shown at fair value at the date of acquisition less accumulated amortisation at the rates indicated below:

Order backlog	up to 2 years
Brand	3 to 15 years
Customer relationships	3 to 10 years
Technology	3 to 10 years

Software

The cost of acquiring software (including associated implementation and development costs where applicable) is classified as an intangible asset. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are assessed as likely to generate economic benefits exceeding costs beyond one year, are also capitalised and recognised as intangible assets. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Software expenditure is amortised over its estimated useful life of between three to five years, and is stated at cost less accumulated amortisation and impairment losses.

Capitalised development costs

Research and development costs are charged to the Income Statement in the year in which they are incurred unless development expenditure meets the criteria for capitalisation. Once detailed and strict criteria have been met that confirm that the product or process is both technically and commercially feasible and the Group has sufficient resources to complete the product, any further expenditure incurred on the project is capitalised, typically up to two to three years. The capitalised expenditure includes the cost of materials, direct labour and an appropriate portion of overheads. Capitalised expenditure is amortised over the life of the product, and is stated at cost less accumulated amortisation and impairment losses.

Section 3 – Operating Assets and Liabilities

3.1 Intangible assets

Impairment tests for cash-generating units (CGUs) containing goodwill

In accordance with the requirements of IAS 36, "Impairment of Assets", goodwill is allocated to the Group's CGUs which are identified by the way goodwill is monitored for impairment. The most significant elements of the Group's total consolidated goodwill of £64.0 million at 31 December 2016 are allocated to: Vitec Videocom: £30.1 million (2015: £27.7 million); Photographic: £15.4 million (2015: £13.3 million); and Creative Solutions: £9.6 million (2015: £8.0 million). The Vitec Videocom and Creative Solutions CGUs sit within the Broadcast segment and the Photographic CGU sits within the Photographic segment. The remaining goodwill relates to CGUs which are not individually significant. Each CGU is assessed for impairment annually and whenever there is a specific indication of impairment.

As part of the annual impairment test review, the carrying value of goodwill has been assessed with reference to value in use over a projected period of five years together with a terminal value. This reflects the projected cash flows of each CGU based on the actual operating results, the most recent Board approved budget, strategic plans and management projections.

A goodwill impairment of £12.1 million (2015: £nil) has been charged to the Income Statement. See note 2.2 "Restructuring costs, charges associated with acquisition of businesses and impairment of goodwill". This is in relation to a £7.9 million partial impairment of goodwill in the Haigh-Farr business and a full impairment of £4.2 million of goodwill relating to the US broadcast services business, both within the Broadcast segment. The long-term prospects for Haigh-Farr remain good but the outlook has been reduced to reflect recent trading activity. The US broadcast services business sold non-core assets during the year, converting a proportion of its balance sheet into cash, and has faced a significant downturn in its rentals activity.

The carrying value of the remaining CGUs exceed their recoverable amounts.

The key assumptions on which the value in use calculations are based relate to business performance over the next five years, long-term growth rates beyond 2021 and the discount rates applied. The key judgements are the level of revenue and operating margins anticipated and the proportion of operating profit converted into cash flow in each year. Forecasts are based on past experience and take into account current and future market conditions and opportunities.

Growth rates for the period beyond 2021 are assumed to be 1% to 2% (2015: 2%), which is considered to be at or below long-term market trends for significant CGUs.

The cash flow projections have been discounted to present value using the Group's post-tax weighted average cost of capital adjusted for economic and CGU-specific risk factors including markets and size of business. Pre-tax rates of 13% to 15% (2015: 9% to 11%) reflecting different geographies have been used for impairment testing (13% (2015: 11%) applied to the Vitec Videocom and Photographic CGUs; 15% (2015: 9%) applied to other CGUs).

The following specific individual sensitivities of reasonable possible change have been considered for each CGU in isolation in relation to the value in use calculations. For the Vitec Videocom, Photographic and Creative Solutions CGUs, the carrying value did not exceed the recoverable amount. For the Haigh-Farr and US broadcast services CGUs, the carrying value did exceed the recoverable amount, and an impairment has been recognised accordingly. Any further adverse change in key assumptions in excess of these sensitivities could result in a further impairment loss to be recognised:

- if the long-term growth rate assumption was reduced by 1% point;
- a 1% point increase in the discount rate applied; and
- a 10% reduction in forecast cashflow over the next five years.

Intangible assets

	Total £m	Goodwill £m	Acquired intangible assets £m	Software £m	Capitalised development costs £m
Cost					
At 1 January 2015	127.4	66.1	40.6	14.4	6.3
Currency translation adjustments	3.8	2.4	1.5	(0.2)	0.1
Additions	4.2	-	-	1.3	2.9
Disposals	(0.4)	-	-	(0.4)	-
Acquisitions	4.6	3.2	1.4	-	-
At 31 December 2015	139.6	71.7	43.5	15.1	9.3
At 1 January 2016	139.6	71.7	43.5	15.1	9.3
Currency translation adjustments	20.6	10.3	7.3	1.8	1.2
Additions	3.4	-	-	1.4	2.0
Disposals	(0.2)	-	-	(0.2)	-
Acquisitions ⁽¹⁾	16.2	1.2	15.0	-	-
At 31 December 2016	179.6	83.2	65.8	18.1	12.5
Amortisation and impairment losses					
At 1 January 2015	40.3	4.8	22.5	11.8	1.2
Currency translation adjustment	1.0	0.2	0.9	(0.2)	0.1
Amortisation in the year	7.8	-	5.4	1.0	1.4
Impairment charge	0.2	-	-	-	0.2
Disposals	(0.4)	-	-	(0.4)	-
At 31 December 2015	48.9	5.0	28.8	12.2	2.9
At 1 January 2016	48.9	5.0	28.8	12.2	2.9
Currency translation adjustment	8.8	2.1	4.7	1.4	0.6
Amortisation in the year	11.0	-	7.9	1.3	1.8
Impairment charge ⁽²⁾	12.1	12.1	-	-	-
Disposals	(0.2)	-	-	(0.2)	-
At 31 December 2016	80.6	19.2	41.4	14.7	5.3
Carrying amounts					
At 1 January 2015	87.1	61.3	18.1	2.6	5.1
At 31 December 2015 and 1 January 2016	90.7	66.7	14.7	2.9	6.4
At 31 December 2016	99.0	64.0	24.4	3.4	7.2

⁽¹⁾ See note 3.4 "Acquisitions".

⁽²⁾ See note 2.2 "Restructuring costs, charges associated with acquisition of businesses and impairment of goodwill".

Section 3 – Operating Assets and Liabilities

3.2 Property, plant and equipment

This shows the physical assets used by the Group to generate revenues and profits. These assets include the following:

- Land and buildings
- Plant, machinery and vehicles
- Equipment, fixtures and fittings

Accounting policies

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Certain land and buildings that had been revalued to fair value prior to 1 January 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of transition.

Rental assets are recorded as plant and machinery.

Non-current assets held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. They are measured at the lower of carrying amount and fair value less costs to sell.

Depreciation

Depreciation is provided to write off the cost of property, plant and equipment, less estimated residual value, on a straight line basis over their estimated useful lives. The annual depreciation charge is sensitive to the estimated useful life of each asset and expected residual value at the end of its life. The major categories of property, plant and equipment are depreciated as follows:

Freehold land	not depreciated
Freehold and long leasehold buildings	up to 50 years
Leasehold improvements	shorter of estimated useful life or remaining period of the lease
Plant and machinery	4 to 10 years
Motor vehicles	3 to 4 years
Equipment, fixtures and fittings	3 to 10 years
Rental assets	3 to 6 years

Impairment of assets

Property, plant and equipment that is subject to depreciation is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Indicators of impairment may include changes in technology and market conditions.

Property, plant and equipment

	Total £m	Land and buildings £m	Plant, machinery and vehicles £m	Equipment, fixtures and fittings £m
Cost				
At 1 January 2015	142.1	30.7	97.6	13.8
Currency translation adjustments	0.5	(0.4)	1.0	(0.1)
Reclassified as current assets ⁽¹⁾	(2.6)	(2.6)	-	-
Transfers between asset categories	-	-	(0.2)	0.2
Additions	16.4	0.4	15.0	1.0
Disposals	(17.2)	(0.4)	(13.4)	(3.4)
Fair value adjustments on previous acquisitions	(0.2)	-	(0.2)	-
At 31 December 2015	139.0	27.7	99.8	11.5
At 1 January 2016	139.0	27.7	99.8	11.5
Currency translation adjustments	22.3	3.8	17.0	1.5
Transfers between asset categories	-	0.4	-	(0.4)
Additions	13.4	0.3	12.1	1.0
Disposals	(21.4)	(6.8)	(13.0)	(1.6)
Acquisitions	0.1	-	0.1	-
At 31 December 2016	153.4	25.4	116.0	12.0
Depreciation				
At 1 January 2015	87.3	15.3	61.1	10.9
Currency translation adjustment	(0.6)	(0.3)	(0.1)	(0.2)
Reclassified as current assets ⁽¹⁾	(1.6)	(1.6)	-	-
Depreciation charge in the year	13.8	1.1	11.8	0.9
Disposals	(13.7)	(0.2)	(10.4)	(3.1)
At 31 December 2015	85.2	14.3	62.4	8.5
At 1 January 2016	85.2	14.3	62.4	8.5
Currency translation adjustment	13.8	1.9	10.8	1.1
Transfers between asset categories	-	0.3	-	(0.3)
Depreciation charge in the year	15.3	1.0	12.8	1.5
Disposals	(14.9)	(4.1)	(9.2)	(1.6)
At 31 December 2016	99.4	13.4	76.8	9.2
Carrying amounts				
At 1 January 2015	54.8	15.4	36.5	2.9
At 31 December 2015 and 1 January 2016	53.8	13.4	37.4	3.0
At 31 December 2016	54.0	12.0	39.2	2.8

Plant, machinery and vehicles include equipment rental assets with an original cost of £56.8 million (2015: £51.5 million) and accumulated depreciation of £32.1 million (2015: £26.0 million).

Capital commitments at 31 December 2016 for which no provision has been made in the accounts amount to £1.2 million (2015: £1.1 million).

⁽¹⁾ During the previous year freehold land and buildings with a net book value of £1.0 million were reclassified as non-current assets held for sale. These were disposed of in 2016.

Section 3 – Operating Assets and Liabilities

3.3 Working capital

Working capital represents the assets and liabilities the Group generates through its trading activities. The Group therefore defines working capital as inventory, trade and other receivables, trade and other payables.

Careful management of working capital is vital as it ensures that the Group can meet its trading and financing obligations within its ordinary operating cycle.

Accounting policies

Inventories

Inventories and work in progress are carried at the lower of cost and net realisable value. Inventory acquired as part of business combinations is valued at fair value. Cost represents direct costs incurred and, where appropriate, production or conversion costs and other costs to bring the inventory to its existing location and condition. In the case of manufacturing inventory and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Inventory is accounted for on an average cost or first-in, first-out method as appropriate. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Provisions for inventories are recognised when the book value exceeds its net realisable value.

In the ordinary course of business, judgement is applied to assess the level of provisions required to write down slow-moving, excess and obsolete inventory to its net realisable value.

Trade and other receivables

Trade and other receivables are recognised at the invoice value less provision for impairment. The carrying value of trade receivables is considered to approximate fair value.

A provision for impairment is established when there is objective evidence that amounts due will not be collected according to the original terms of the receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivable is impaired.

Amounts recoverable on contracts are included in trade receivables and represent revenue recognised in excess of payments on account.

Trade and other payables

Trade payables are recognised at the value of the invoice received from a supplier.

Inventories

	2016 £m	2015 £m
Raw materials and components	19.3	15.9
Work in progress	6.7	6.7
Finished goods	31.9	36.3
Inventories, net of impairment provisions	57.9	58.9

During the year £2.1 million (2015: £2.4 million) was recognised as an expense resulting from the write-down of inventory.

Trade and other receivables

	2016 £m	2015 £m
Short-term receivables		
Trade receivables, net of impairment provisions	50.9	38.3
Other receivables	8.1	7.0
Prepayments and accrued income	7.2	5.4
	66.2	50.7
Long-term receivables		
Other receivables	0.9	0.6
Total receivables	67.1	51.3

	2016 £m	2015 £m
Gross trade receivables - ageing ⁽¹⁾		
Current	43.2	33.6
1-30 days	5.9	4.1
31-60 days	1.8	1.3
61-90 days	0.7	0.3
over 90 days	1.6	1.0
Gross trade receivables	53.2	40.3

⁽¹⁾ Days overdue are measured from the date an invoice was due to be paid.

	Total £m	Overdue debts £m	Sales returns and discounts £m
Impairment provisions against trade receivables			
Balance at 1 January 2016	2.0	1.2	0.8
Net increase during the year	1.1	0.4	0.7
Utilised during the year	(1.0)	(0.2)	(0.8)
Currency translation adjustments	0.2	0.1	0.1
Balance at 31 December 2016	2.3	1.5	0.8

Trade and other payables

	2016 £m	2015 £m
Current trade and other payables		
Trade payables	26.8	24.9
Other tax and social security costs	3.3	2.9
Other non-trade payables, accruals and deferred income	25.2	15.7
	55.3	43.5

Section 3 – Operating Assets and Liabilities

3.4 Acquisitions

This note outlines how the Group has accounted for businesses that it has acquired.

Acquisitions are accounted for under the acquisition method of accounting. As part of the acquisition accounting the Group has adopted a process to identify the fair values of the assets and liabilities acquired, including contingent considerations assumed. This includes the separate identification of intangible assets and the allocation of the consideration paid. This process continues as information is finalised, and accordingly the fair value adjustments presented in the tables below are provisional. In accordance with IFRS 3 until the assessment is complete the allocation period will remain open up to a maximum of 12 months from the acquisition date so long as information remains outstanding. Acquisition-related costs are recognised in the Income Statement as incurred in accordance with IFRS 3.

Acquisitions provide opportunities for further development of the Group's activities and create enhanced returns. Such opportunities and the workforces inherent in each of the acquired businesses represent much of the assessed value of goodwill.

Acquisition of Manfrotto Distribution Benelux (formerly Provak Foto Film Video B.V.)

On 13 January 2016, the Group acquired 100% of the issued share capital of Manfrotto Distribution Benelux B.V. (formerly Provak Foto Film Video B.V.), based in the Netherlands, through a business combination for a net cash consideration of €1.2 million (£0.9 million). The acquisition complements the Group's owned distribution channels. The fair value of the net assets acquired in the business at acquisition date was £0.4 million resulting in goodwill of £0.5 million.

A summary of the effect of the acquisition of Manfrotto Distribution Benelux is detailed below:

	Book and fair value of net assets acquired £m
Net assets acquired	
Inventories	0.2
Trade and other receivables	0.4
Trade and other payables	(0.2)
	0.4
Goodwill	0.5
Consideration satisfied from existing cash resources	0.9

The trade receivables acquired had a fair value and a gross contractual value of £0.3 million. No net deferred tax asset or liability has arisen on the net assets acquired.

Acquisition of Offhollywood

On 12 April 2016, the Group acquired the business and some of the assets of Offhollywood Digital, LLC ("Offhollywood"), based in the US, through a business combination for an initial net cash consideration of US\$2.2 million (£1.5 million). The fair value of the net assets acquired in the business at acquisition date was £1.5 million resulting in goodwill of £nil. Under the terms of the acquisition, there is a potential earnout payment of up to US\$8.0 million that is dependent on the performance against demanding gross profit targets over the period to December 2018. There was no earnout payable in relation to its performance in 2016. Offhollywood provides camera-back modules for RED cameras and other services to a similar customer base to that serviced by the Group's existing higher technology businesses, and its products will be marketed through the Group's global distribution network.

A summary of the effect of the acquisition of Offhollywood is detailed below:

	Book value at acquisition £m	Fair value adjustments £m	Fair value of net assets acquired £m
Net assets acquired			
Intangible assets	-	1.6	1.6
Trade and other payables	(0.1)	-	(0.1)
	(0.1)	1.6	1.5
Goodwill			-
Consideration satisfied from existing cash resources			1.5

The process to identify the fair values of the assets and liabilities acquired was completed in the year. As a result, an increase in intangible assets of £0.8 million was recognised since the half year. No net deferred tax asset or liability has arisen on the net assets acquired.

Acquisition of Wooden Camera

On 19 September 2016, the Group acquired the whole of the share capital of Wooden Camera, Inc. and Wooden Camera Retail, Inc., ("Wooden Camera"), both based in the US, through a business combination for an initial net cash consideration of US\$19.5 million (£14.9 million) after taking account of US\$0.6 million (£0.5 million) of cash in the business at acquisition date. The fair value of the net assets acquired, excluding cash in the business at acquisition date was £14.2 million resulting in goodwill of £0.7 million. Wooden Camera designs, manufactures and retails directly and online, essential professional camera accessories used by broadcasters and independent content creators. The acquisition complements the Group's existing range of products. Wooden Camera operates within the Broadcast Division.

Under the terms of the acquisition, there is a potential earnout payment of up to US\$15.0 million payable in cash. This is dependent on the performance against demanding EBITDA targets over the period to December 2018. In 2016 an amount of £1.5 million (US\$2.0 million) was provided for in relation to its performance in 2016.

A summary of the effect of the acquisition of Wooden Camera is detailed below:

	Book value at acquisition £m	Fair value adjustments £m	Fair value of net assets acquired £m
Net assets acquired			
Intangible assets	-	13.2	13.2
Property, plant and equipment	0.1	-	0.1
Inventories	0.8	(0.2)	0.6
Trade and other receivables	0.8	(0.2)	0.6
Trade and other payables	(0.1)	-	(0.1)
Provisions	-	(0.2)	(0.2)
Cash	0.5	-	0.5
	2.1	12.6	14.7
Goodwill			0.7
Consideration satisfied from existing cash resources			15.4

The trade receivables acquired had a gross contractual value of £0.7 million and a fair value of £0.5 million. No net deferred tax asset or liability has arisen on the acquisition due to a joint election made by the sellers and the Group to treat the acquisition as an asset acquisition for tax purposes.

Section 3 – Operating Assets and Liabilities

3.4 Acquisitions

The results of the acquisitions made during the year comprise the following:

	Manfrotto Distribution Benelux £m	Offhollywood £m	Wooden Camera £m
Revenue	1.2	1.2	2.0
Operating profit/(loss)	0.2	(0.6)	0.4

Had the acquisitions been made at the beginning of the year (i.e. 1 January 2016), they would have contributed £9.9 million to revenue and £0.7 million to the operating profit of the Group. The level of profitability is stated after amortisation of intangible assets.

An analysis of the cash flows relating to acquisitions is provided below:

	2016 £m
Net outflow of cash in respect of acquisitions	
Cash consideration ⁽¹⁾	18.0
Cash acquired	(0.5)
Transaction costs	0.6
Net cash outflow in respect of 2016 acquisitions	18.1
Cash paid in respect of contingent consideration for Teradek (acquired in 2013)	3.0
Cash received in relation to the purchase price adjustment for Autocue (acquired in 2014), agreed with the vendors during the period	(0.2)
Cash paid in 2016 in respect of prior year acquisitions	2.8
Net cash outflow in respect of acquisitions ⁽²⁾	20.9

⁽¹⁾ Cash consideration of £18.0 million includes £0.2 million relating to the purchase of the intellectual property of Xume technology in September 2016. This has been fully amortised in the year.

⁽²⁾ Of the £20.9 million net cash outflow in respect of acquisitions, transaction costs of £0.6 million are included in cash flows from operating activities and the net cash consideration paid of £20.3 million is included in cash flows from investing activities.

Teradek, acquired in August 2013

Under the terms of the acquisition, there was a total potential contingent consideration of US\$15.5 million that was dependent on the performance against demanding EBIT targets over the three year period to 31 December 2015. In 2014 the Group paid £2.0 million (US\$3.2 million) in relation to Teradek's performance in 2013, of which £1.5 million was paid in cash and the remaining £0.5 million was satisfied by the issue of 72,933 new Vitec ordinary shares. In 2015 an amount of £5.2 million (US\$8.0 million) was paid in cash in relation to Teradek's performance in 2014. In 2016 an amount of £3.0 million (US\$4.0 million) was paid in cash in relation to Teradek's performance in 2015. See note 2.2 "Restructuring costs, charges associated with acquisition of businesses and impairment of goodwill" and note 3.5 "Provisions".

Acquisitions in 2015

Acquisition of Paralinx

On 27 February 2015, the Broadcast Division of the Group acquired the assets of Paralinx, LLC ("Paralinx"), based in the US, through a business combination for a net cash consideration of US\$6.2 million (£4.0 million) after taking account of US\$0.3 million (£0.2 million) of cash in the business at acquisition date. The fair value of the net assets acquired excluding cash in the business at acquisition date was £1.9 million (Intangible assets: £1.4 million, Inventories: £0.4 million, Trade and other receivables: £0.2 million, Provisions: (£0.1 million)) resulting in goodwill of £2.1 million. No net deferred tax asset or liability has arisen on the net assets acquired.

Acquisition of Panlight

On 2 November 2015, the Group acquired the whole of the issued share capital of Panlight Limited ("Panlight"), a private company based in the UK, for a consideration of £0.1 million. The fair value of the net assets acquired was £nil resulting in goodwill of £0.1 million. No net deferred tax asset or liability has arisen on the net assets acquired.

The 2015 results of the acquisitions made in that year were included in the Broadcast Division and comprise the following:

	Paralinx £m	Panlight £m
Revenue	3.4	-
Operating profit ⁽¹⁾	1.2	-

Had the acquisitions been made at the beginning of the year (i.e. 1 January 2015), they would have contributed £4.0 million (Paralinx: £4.0 million, Panlight: £nil) to revenue and £1.3 million (Paralinx: £1.3 million, Panlight: £nil) to the operating profit ⁽¹⁾ of the Group.

⁽¹⁾ Operating profit is stated before amortisation of intangible assets and after allocation of Head Office costs.

An analysis of the cash flows relating to acquisitions is provided below:

	2015 £m
Net outflow of cash in respect of acquisition	
Cash consideration	4.3
Cash acquired	(0.2)
Transaction costs	0.1
Net cash outflow in respect of 2015 acquisitions	4.2
Cash paid in relation to Teradek, acquired in August 2013	5.2
Cash received in relation to SmallHD, acquired in December 2014	(0.3)
Cash paid in 2015 in respect of prior year acquisitions	4.9
Net cash outflow in respect of acquisitions ⁽²⁾	9.1

⁽²⁾ Of the £9.1 million net cash outflow in respect of acquisitions, transaction costs of £0.1 million are included in cash flows from operating activities and the net cash consideration paid of £9.0 million is included in cash flows from investing activities.

Section 3 – Operating Assets and Liabilities

3.5 Provisions

A provision is recognised by the Group where an obligation exists, relating to events in the past, and it is probable that an outflow of economic benefits will be required to settle it.

Accounting policies

Provisions

Provisions are recognised in the Balance Sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle it. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate discount rate.

Provisions for warranties, based on historical warranty data, are recognised when the underlying products or services are sold.

Obligations arising from restructuring plans are recognised when detailed formal plans have been established and the restructuring has either commenced or has been announced.

Provisions for onerous contracts are recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

	Total £m	Warranty £m	Restructuring £m	Onerous lease and other £m	Earnout £m
At 1 January 2016	9.3	1.0	3.2	2.4	2.7
Charged to the Income Statement	8.1	0.8	5.5	0.4	1.4
Provisions utilised during the year	(12.8)	(0.7)	(7.4)	(1.7)	(3.0)
Acquisition of subsidiary undertaking	0.2	-	-	0.2	-
Currency translation adjustments	1.2	0.1	0.2	0.4	0.5
At 31 December 2016	6.0	1.2	1.5	1.7	1.6
Current	4.9	0.6	1.5	1.2	1.6
Non-current	1.1	0.6	-	0.5	-
	6.0	1.2	1.5	1.7	1.6

Warranty provisions

Warranties over the Group's products typically cover periods of between one and five years. The provision represents management's best estimate of the Group's liability based on past experience.

Restructuring

The restructuring provision is in relation to the Group streamlining certain operations by downsizing selected activities mainly in the UK, US and Europe. These planned actions are intended to better position the Group for the future. The restructuring provision is expected to be utilised by the end of 2017.

Onerous lease contracts and other

The onerous lease contracts provision of £0.4 million is in relation to non-cancellable leases on vacant property. Utilisation of the provision will be over the remaining life of the leases of one year.

The other provision is mainly in relation to potential dilapidation costs on the termination of leases on occupied property that the Group entered into in previous years.

Earnout

The Group made an earnout payment of £3.0 million (US\$4.0 million) provided for at 31 December 2015 in relation to Teradek, acquired in 2013.

The earnout provision at 31 December 2016 of £1.6 million (US\$2.0 million) after currency translation adjustments is in respect of Wooden Camera. See note 2.2 "Restructuring costs, charges associated with acquisition of businesses and impairment of goodwill" and note 3.4 "Acquisitions".

Section 4 – Capital Structure

This section outlines the Group's capital structure. The Group defines its capital structure as its equity and non-current interest bearing loans and borrowings, and aims to manage this to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, it may return capital to shareholders, through dividends and share buy backs, issue new shares or sell assets to reduce debt. The Group considers its dividend policy at least twice a year ahead of announcing results in the context of its ability to continue as a going concern and deliver its business plan. The Group focuses on leverage, credit ratings and interest cost, particularly when considering investment.

On the following pages there are disclosures concerning the following:

- 4.1 Net debt
- 4.2 Financial instruments
- 4.3 Share capital and reserves

4.1 Net debt

The Group's net debt comprises the following:

- Interest-bearing loans and borrowings
- Cash and cash equivalents (cash on hand and demand deposits at banks)
- Bank overdrafts that are payable on demand

Accounting policies

Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet represent cash on hand and at banks.

Cash and cash equivalents in the statement of cash flows includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these transaction costs are recognised in the Income Statement over the term of the related borrowings.

Analysis of net debt

The table below analyses the Group's components of net debt and their movements in the year:

	2016 £m	2015 £m
(Decrease)/increase in cash and cash equivalents	(0.8)	5.2
Repayment of/(proceeds from) interest-bearing loans and borrowings	13.6	(8.5)
Decrease/(increase) in net debt resulting from cash flows	12.8	(3.3)
Effect of exchange rate fluctuations on cash held	5.1	(0.6)
Effect of exchange rate fluctuations on debt held	(16.7)	(1.5)
Effect of exchange rate fluctuations on net debt	(11.6)	(2.1)
Movements in net debt in the year	1.2	(5.4)
Net debt at 1 January	(76.3)	(70.9)
Net debt at 31 December 2016	(75.1)	(76.3)
Cash and cash equivalents in the Balance Sheet	17.1	13.6
Bank overdrafts	(0.3)	(1.1)
Cash and cash equivalents in the Statement of Cash Flows	16.8	12.5
Interest-bearing loans and borrowings	(91.9)	(88.8)
Net debt at 31 December 2016	(75.1)	(76.3)

4.2 Financial instruments

This provides details on:

- Financial risk management
- Derivative financial instruments
- Fair value hierarchy
- Interest rate profile
- Maturity profile of financial liabilities

Financial risk management

The Group's multinational operations and debt financing expose it to a variety of financial risks. In the course of its business, the Group is exposed to foreign currency risk, interest rate risk, liquidity risk and credit risk.

Financial risk management is an integral part of the way the Group is managed. Financial risk management policies are set by the Board of Directors. These policies are implemented by a central treasury department that has formal procedures to manage foreign currency risk, interest rate risk and liquidity risk, including, where appropriate, the use of derivative financial instruments. The Group has clearly defined authority and approval limits built into these procedures.

Foreign currency risk

Foreign currency risk arises both where sale or purchase transactions are undertaken in currencies other than the respective functional currencies of Group companies (transactional exposures) and where the results of overseas companies are consolidated into the Group's reporting currency of Sterling (translational exposures).

The Group has businesses that operate around the world and accordingly record their results in a number of different functional currencies. Some of these operations also have some customers or suppliers that transact in a foreign currency. The Group's results which are reported in Sterling are therefore exposed to changes in foreign currency exchange rates across a number of different currencies with the most significant exposures relating to the US Dollar (USD), Euro (EUR) and Japanese Yen (JPY). There has been volatility in currency exchange rates during the year as a result of the EU referendum and other factors. The Group proactively manages a proportion of its short-term transactional foreign currency exposures using derivative financial instruments, but remains exposed to the underlying translational movements which remain outside the control of the Group.

The Group manages its transactional exposures to foreign currency risks through the use of forward exchange contracts including the US Dollar, Euro and Japanese Yen. Forward exchange contracts are typically used to hedge approximately 75% of the Group's forecasted foreign currency exposure in respect of forecast cash transactions for the following 12 months. Forward exchange contracts may also be used to hedge a proportion of the forecast cash transactions for the following 13 to 24 months. The forward exchange contracts currently have maturities of less than two years at the Balance Sheet date.

The Group's translational exposures to foreign currency risks relate to both the Income Statement and net assets of overseas subsidiaries which are converted into Sterling on consolidation. The Group does not seek to hedge the translational exposure that arises primarily from changes in the exchange rates of the US Dollar, Euro and Japanese Yen against Sterling. However the Group does finance overseas investments partly through the use of foreign currency borrowings in order to provide a net investment hedge over the foreign currency risk that arises on translation of its foreign currency subsidiaries.

The Group ensures that its net exposure to foreign denominated cash balances is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. In addition the Group manages the denomination of surplus cash balances across the overseas subsidiaries to allow natural hedging where effective in any particular country.

It is estimated that the Group's operating profit before restructuring costs, charges associated with acquisition of businesses and impairment of goodwill for the year ended 31 December 2016 would have increased/decreased by approximately £1.4 million from a ten cent stronger/weaker US Dollar against Sterling, by approximately £1.3 million from a ten cent stronger/weaker Euro against Sterling and by approximately £0.3 million from a ten Yen stronger/weaker Japanese Yen against Sterling. This reflects the impact of the sensitivities to translational exposures and to the proportion of transactional exposures that is not hedged. The Group, in accordance with its policy, does not use derivatives to manage translational risks. During 2016 the Group's operating profit included a net loss of £5.0 million (2015: £2.2 million) in relation to the crystallisation of forward exchange contracts as described later in this note.

It is estimated that statutory operating profit for the year ended 31 December 2016, that includes the one-off impairment of goodwill, restructuring costs and charges associated with the acquisition of businesses, would have increased/decreased by approximately £3.1 million from a ten cent stronger/weaker US Dollar against Sterling, by approximately £1.5 million from a ten cent stronger/weaker Euro against Sterling and by approximately £0.3 million from a ten Yen stronger/weaker Japanese Yen against Sterling.

Interest rate risk

Interest rate risk comprises both the interest rate price risk that results from borrowing at fixed rates of interest and also the interest cash flow risk that results from borrowing at variable rates.

For the year ended 31 December 2016, it is estimated that a general increase/decrease of one percentage point in interest rates, would decrease/increase the Group's profit before tax by approximately £1.0 million.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group has a five year £125 million Multicurrency Revolving Credit Facility Agreement with a syndicate comprising five banks: two UK banks, two American banks, and one European bank, that expires in July 2021. The Group was utilising 39% of the £125 million Multicurrency Revolving Credit Facility at 31 December 2016. In 2011 the Group drew down US\$50 million from a Private Placement shelf facility with repayment due in May 2017.

Section 4 – Capital Structure

4.2 Financial instruments

Credit risk

Credit risk arises because a counterparty may fail to meet its obligations. The Group is exposed to credit risk on financial assets such as trade receivables, cash balances and derivative financial instruments. The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the Group Balance Sheet.

a) Trade receivables

The Group's credit risk is primarily attributable to its trade receivables. Trade receivables are subject to credit limits, and control and approval procedures in the operating companies. Due to its large geographic base and number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivables.

b) Cash balances and derivative financial instruments

Credit risk associated with cash balances is managed by transacting with a number of major financial institutions worldwide and periodically reviewing their credit worthiness. Transactions involving derivative financial instruments are managed centrally. These are only with banks that are part of the Group's £125 million Multicurrency Revolving Credit Facility Agreement. Accordingly, the Group's associated credit risk is limited. The Group has no significant concentration of credit risk.

Derivative financial instruments

This is a summary of the derivative financial instruments that the Group holds and uses to manage risk. The value of these derivatives changes over time in response to underlying variables such as exchange rates. They are carried in the Balance Sheet at fair value.

The fair value of forward exchange contracts is determined by estimating the market value of that contract at the reporting date. Derivatives with a positive fair value are recorded as assets and negative fair values as liabilities, and presented as current or non-current based on their contracted maturity dates.

Accounting policies

Derivative financial instruments

In accordance with Board approved policies, the Group uses derivative financial instruments such as forward foreign exchange contracts to hedge its exposure to fluctuations in foreign exchange rates arising from operational activities. These are designated as cash flow hedges. It does not hold or use derivative financial instruments for trading or speculative purposes.

Cash flow hedge accounting

Cash flow hedges are used to hedge the variability in cash flows of highly probable forecast transactions or a recognised asset or liability, caused by changes in exchange rates.

Where a derivative financial instrument is designated in a cash flow hedge relationship with a highly probable forecast transaction, the effective part of any change in fair value arising is deferred in the cash flow hedging reserve within equity, via the Statement of Comprehensive Income. The gain or loss relating to the ineffective part is recognised in the Income Statement within net finance expense. Amounts deferred in the cash flow hedging reserve are reflected in the Income Statement in the periods when the hedged item is recognised in the Income Statement.

If a hedging instrument expires or is sold but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the Income Statement.

Where a derivative is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the Income Statement.

If a derivative financial instrument is not formally designated in a cash flow hedge relationship, any change in fair value is recognised in the Income Statement.

Forward exchange contracts

The following table shows the forward exchange contracts in place at the Balance Sheet date. These contracts mature in the next 24 months, therefore the cash flows and resulting effect on profit and loss are expected to occur within the next 24 months.

	Currency	As at 31 December 2016 millions	Average exchange rate of contracts	As at 31 December 2015 millions	Average exchange rate of contracts
Cash flow hedging contracts					
USD / GBP forward exchange contracts	USD	17.1	1.37	21.0	1.52
USD / EUR forward exchange contracts	USD	42.3	1.13	47.2	1.15
EUR / GBP forward exchange contracts	EUR	25.9	1.25	28.4	1.33
JPY / GBP forward exchange contracts	JPY	769.1	159.2	1,009.0	179.1
JPY / EUR forward exchange contracts	JPY	1,233.4	124.1	1,059.0	134.6

A net loss of £5.0 million relating to forward exchange contracts was reclassified to the Income Statement, to match the crystallisation of the hedged forecast cashflows which affect the Income Statement.

Fair value hierarchy

The following summarises financial instruments carried at fair values and the major methods and assumptions used in estimating these fair values.

The different levels of fair value hierarchy have been defined as follows:

Level 1

Fair value measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2

Fair values measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3

Fair values measured using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below shows the carrying values and fair values of financial assets and liabilities:

	Carrying value 2016 £m	Fair value 2016 £m	Carrying value 2015 £m	Fair value 2015 £m
Forward exchange contracts - Assets	0.4	0.4	0.6	0.6
Forward exchange contracts - Liabilities	(6.0)	(6.0)	(2.2)	(2.2)
Cash at bank and in hand	17.1	17.1	13.6	13.6
Net trade receivables	50.9	50.9	38.3	38.3
Trade payables	(26.8)	(26.8)	(24.9)	(24.9)
Fixed rate borrowings	(43.0)	(43.7)	(34.9)	(35.6)
Floating rate borrowings	(49.2)	(49.2)	(55.0)	(55.0)
	(56.6)	(57.3)	(64.5)	(65.2)

The fair value of floating rate borrowings approximates to the carrying value because interest rates are at floating rates where payments are reset to market rates at intervals of less than one year.

The fair value of fixed rate borrowings is estimated by discounting the future contracted cash flow, using appropriate yield curves, to the net present values.

All financial instruments are deemed Level 2.

Section 4 – Capital Structure

4.2 Financial instruments

Interest rate profile

The table below analyses the Group's interest rate exposure arising from bank loans by currency.

Accounting policies

Net investment hedge accounting

The Group uses US Dollar, Euro and Japanese Yen denominated borrowings as a hedge against the translation exposure on the Group's net investment in overseas companies.

Where the hedge is fully effective at hedging the variability in the net assets of such companies caused by changes in exchange rates, the changes in value of the borrowings are recognised in the translation reserve within equity, via the Statement of Comprehensive Income. The ineffective part of any change in value caused by changes in exchange rates is recognised in the Income Statement.

The effective portion will be recycled into the Income Statement on the sale of the foreign operation.

Interest-bearing loans and borrowings

The table below analyses the Group's interest-bearing loans and borrowings including bank overdrafts, by currency:

Currency	Total £m	Fixed rate borrowings £m	Floating rate borrowings £m
US Dollar	73.7	40.5	33.2
Euro	16.4	2.5	13.9
Japanese Yen	2.1	-	2.1
At 31 December 2016	92.2	43.0	49.2
US Dollar	63.5	33.7	29.8
Euro	17.7	1.2	16.5
Sterling	7.0	-	7.0
Japanese Yen	1.7	-	1.7
At 31 December 2015	89.9	34.9	55.0

The floating rate borrowings comprise borrowings bearing interest at rates based on LIBOR. The fixed rate borrowings in US Dollar are due for repayment on 11 May 2017.

Maturity profile of financial liabilities

The table below analyses the Group's financial liabilities and derivative financial liabilities into relevant maturity groupings based on the period remaining until the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest), so will not always reconcile with the carrying amounts disclosed on the Balance Sheet.

The following are the contractual maturities of financial liabilities, including undiscounted future interest payments:

2016	Carrying amount £m	Total contractual cash flows £m	Within one year £m	From two to five years £m	From six to ten years £m
Unsecured interest-bearing loans and borrowings including bank overdrafts	(92.2)	(95.1)	(43.3)	(51.8)	-
Trade payables	(26.8)	(26.8)	(26.8)	-	-
Forward exchange contracts	(6.0)	(6.0)	(4.9)	(1.1)	-
	(125.0)	(127.9)	(75.0)	(52.9)	-

2015	Carrying amount £m	Total contractual cash flows £m	Within one year £m	From two to five years £m	From six to ten years £m
Unsecured interest-bearing loans and borrowings	(89.9)	(94.2)	(3.9)	(90.0)	(0.3)
Trade payables	(24.9)	(24.9)	(24.9)	-	-
Forward exchange contracts	(2.2)	(2.2)	(1.7)	(0.5)	-
	(117.0)	(121.3)	(30.5)	(90.5)	(0.3)

The Group had the following undrawn borrowing facilities at the end of the year:

Expiring in:	2016 £m	2015 £m
Less than one year		
- Uncommitted facilities	10.6	9.3
More than one year but not more than five years		
- Committed facilities	76.1	46.2
Total	86.7	55.5

Section 4 – Capital Structure

4.3 Share capital and reserves

This note explains the movements in share capital, and the nature and purpose of other reserves forming part of equity. The movements in reserves are set out in the Consolidated Statement of Changes in Equity.

The Group utilises share award schemes as part of its employee remuneration packages. Options that have been granted and remain outstanding at 31 December 2016 are set out below. The various share-based payment schemes are explained in note 5.3 “Share-based payments”.

Share capital

	Number of shares (thousands)	Nominal value £m
Issued and fully paid		
At 1 January 2016	44,494	8.9
Exercise of share options	238	0.1
At 31 December 2016	44,732	9.0

Each ordinary share carries one vote, participates equally with the other ordinary shares in distribution of dividends and capital (including on a winding up) and is not redeemable.

At 31 December 2016 the following options had been granted and remained outstanding under the Company's share option schemes:

	Number of shares (thousands)	Exercise prices	Dates normally exercisable
UK Sharesave schemes	310	472p-543p	2017-2022
International Sharesave schemes	720	484p-522p	2017-2022
	1,030		

Other Reserves

The nature and purpose of other reserves forming part of equity are as follows:

Translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries, including gains or losses arising on net investment hedges.

Cash flow hedging reserve

This reserve records the cumulative net change in the fair value of forward exchange contracts where they are designated as effective cash flow hedge relationships.

Own shares held

Own shares held by the Company's Employee Benefit Trust are recognised as a deduction from retained earnings. As at 31 December 2016 the Company's Employee Benefit Trust held 46,782 ordinary shares.

Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

	2016 £m	2015 £m
Amounts arising in respect of the year		
Interim dividend for the year ended 31 December 2016 of 9.9p (2015: 9.5p) per ordinary share	4.4	4.2
Proposed final dividend for the year ended 31 December 2016 of 17.3p (2015: 15.1p) per ordinary share	7.7	6.7
	12.1	10.9
The aggregate amount of dividends paid in the year		
Final dividend for the year ended 31 December 2015 of 15.1p (2014: 14.7p) per ordinary share	6.7	6.5
Interim dividend for the year ended 31 December 2016 of 9.9p (2015: 9.5p) per ordinary share	4.4	4.2
	11.1	10.7

The proposed final dividend for the year ended 31 December 2016 was recommended by the Directors. This is subject to approval by shareholders at the AGM on Wednesday, 17 May 2017 and, if approved, will be paid on Friday, 19 May 2017. The dividend has not been included as a liability in these financial statements.

Section 5 – Other Supporting Notes

This section explains items that are not explained elsewhere in the financial statements.

5.1 Employees

	2016 £m	2015 £m
Employee costs, including Directors' remuneration, comprise:		
Wages and salaries	82.0	76.7
Employers' social security costs	10.3	9.5
Employers' pension costs - defined benefit schemes	1.2	1.1
Employers' pension costs - defined contribution schemes	1.5	1.4
Other employment benefits	3.1	2.8
Share-based payment charge	1.6	1.1
	99.7	92.6

Details of Directors' remuneration and share incentives are disclosed in the Remuneration Report. Employee costs exclude employment termination costs.

	2016 Total	2015 Total
Average number of employees during the year		
Broadcast	958	1,072
Photographic	697	739
Head Office	21	22
	1,676	1,833

5.2 Pensions

This note explains the accounting policies governing the Group's treatment of the pension schemes, followed by an analysis of these schemes.

Accounting policies

Defined contribution schemes

The assets are held separately from those of the Group in independently administered funds. The costs of providing pensions for employees under defined contribution schemes are expensed as incurred.

Defined benefit schemes

The Group operates pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Group. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to market yields at the Balance Sheet date on high quality corporate bonds.

The calculation is performed by a qualified actuary using the projected unit credit method. Actuarial gains and losses are recognised in full in the period in which they arise in the Statement of Comprehensive Income.

The Group recognises the ongoing service cost, past service costs and any cost or income relating to the curtailment or settlement of a pension scheme in operating expenses in the Income Statement. The unwinding of the discount (above) is recognised as part of net financial expense.

Pension schemes

The Group has defined benefit pension schemes in the UK, Italy, Germany, Japan and France. The UK defined benefit scheme was closed to future benefit accrual with effect from 31 July 2010. All UK employees of the Group are now offered membership of the defined contribution pension scheme. Other overseas subsidiaries have their own defined contribution schemes.

Defined contribution schemes

The total Income Statement charge of the defined contribution schemes for the year ended 31 December 2016 was £1.5 million (2015: £1.4 million). There were no outstanding or prepaid contributions to these plans as at 31 December 2016 (or at 31 December 2015).

Defined benefit schemes

The Group's defined benefit schemes are disclosed below:

	2016 £m	2015 £m
Amounts recognised on the Group Balance Sheet		
Plan assets		
- Equities	21.9	19.4
- Bonds	30.5	26.1
- Other	9.1	9.3
Total fair value of plan assets	61.5	54.8
Present value of defined benefit obligation	(74.5)	(60.9)
Net deficit recognised on the Group Balance Sheet	(13.0)	(6.1)

	2016 £m	2015 £m
Analysis of net recognised deficit		
Total funded plan (UK Pension scheme)	(8.8)	(2.5)
Total unfunded plans (non-UK Pension schemes)	(4.2)	(3.6)
Liability recognised on the Group Balance Sheet	(13.0)	(6.1)

	2016 £m	2015 £m
Amounts recognised in the Income Statement		
- Administration costs incurred during the period	1.3	1.2
- Past service gain	(0.1)	(0.1)
Included in operating expenses	1.2	1.1
Net interest expense on net defined benefit pension scheme liabilities	0.2	0.2
Total amounts charged to the Income Statement	1.4	1.3

UK defined benefit pension scheme

The UK defined benefit pension scheme, being significant, is disclosed below.

The nature of the UK scheme is a funded final salary scheme closed to future benefit accrual with effect from 31 July 2010. As a result, since that date, no contributions are payable in respect of future accrual of benefits. As the 5 April 2016 funding valuation of the scheme disclosed a funding surplus, no recovery plan is required under the Pensions Act 2004. As such, member and employer contributions to the scheme over the year to 31 December 2017 are expected to be £nil. The scheme is subject to all legislation and regulations that apply to UK occupational pension schemes.

The main risk to which the Group is exposed by the scheme is that the cost of the benefits provided by the scheme is greater than expected, for example due to lower than expected investment returns or members of the scheme living longer than expected, which may result in additional contributions being required from the Group.

In accordance with UK trust and pensions law, the pension scheme has a corporate trustee. Although the Group bears the financial cost of the scheme, the responsibility for the management and governance of the scheme lies with the trustee, which has a duty to act in the best interest of members at all times. The assets of the scheme are held in trust by the trustee who consults with the Group on investment strategy decisions.

Section 5 – Other Supporting Notes

5.2 Pensions

Impact on defined benefit obligation (“DBO”) of changes in the three key significant individual assumptions

	2016	2015
Discount rate increased by 0.1% points	-2%	-2%
Inflation increased by 0.1% points	+1%	+1%
Life expectancy increased by one year	+4%	+3%

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

	2016 % pa	2015 % pa
Assumptions used by the actuary to value the liability of the defined benefit plan, on 31 December were:		
Price inflation (RPI)	3.2	3.0
Price inflation (CPI)	2.2	2.0
Life expectancy of male / female aged 65 in 2016	22.5 / 24.6	22.8 / 25.0
Life expectancy of male / female aged 65 in 2030	23.5 / 25.7	23.8 / 26.2
Pension increase rate		
- Discretionary (pre - 6 April 1997 accrual in excess of GMP)	3.1	2.9
- Guaranteed LPI 5% (6 April 1997 - 30 June 2008)	3.1	2.9
- Guaranteed LPI 5%, with 3% floor	3.3	3.2
- Guaranteed LPI 2.5% (accrual from 1 July 2008)	2.1	2.0
Discount rate	2.6	3.8

	2016 £m	2015 £m
Change in DBO for the year to 31 December		
Present value of DBO at start of year	57.3	60.3
Interest cost	2.1	2.1
Actuarial loss/(gain) on experience	0.4	(0.5)
Actuarial gain on demographic assumptions	(1.1)	-
Actuarial loss/(gain) on financial assumptions	14.2	(2.1)
Actual benefit payments	(2.5)	(2.4)
Past service gains	(0.1)	(0.1)
Present value of DBO at end of year	70.3	57.3

At 31 December 2016, the weighted-average duration of the scheme's DBO was 18 years (2015: 18 years). The proportion of DBO in respect of pensions in payment is 50% and that in respect of deferred pensioners is 50%.

	Fair value 2016 £m	Quoted split %	Unquoted split %	Fair value 2015 £m
Scheme assets and proportion which have quoted market price, at 31 December				
Bonds	30.5	100	-	26.1
Equities	21.9	76	24	19.4
Diversified growth (bonds and equities)	8.5	100	-	8.6
Cash/non-cash assets	0.3	-	100	0.3
Insurance policies	0.3	-	100	0.4
Total value of assets	61.5			54.8

Note: The asset values shown are, where relevant, estimated bid values of market securities.

	2016 £m	2015 £m
Change in fair value of assets for the year to 31 December		
Fair value of assets at start of year	54.8	56.5
Interest income on scheme assets	2.0	2.0
Return on scheme assets greater/(less) than discount rate	7.4	(1.0)
Actual benefit payments	(2.5)	(2.4)
Administration expenses paid	(0.2)	(0.3)
Fair value of assets at end of year	61.5	54.8

	2016 £m	2015 £m
Development of net balance sheet position at 31 December		
Present value of defined benefit obligation	(70.3)	(57.3)
Assets at fair value	61.5	54.8
Net defined benefit scheme liability	(8.8)	(2.5)

	2016 £m	2015 £m
Reconciliation of net balance sheet position		
Net defined benefit scheme liability at start of year	(2.5)	(3.8)
Total amounts charged to the Income Statement	(0.2)	(0.3)
Remeasurement effects recognised in Other Comprehensive Income ("OCI")	(6.1)	1.6
Defined benefit scheme liability at end of year	(8.8)	(2.5)

	2016 £m	2015 £m
Amounts recognised in the Group Income Statement		
- Administration costs incurred during the period	0.2	0.3
- Past service gains	(0.1)	(0.1)
Included in operating expenses	0.1	0.2
Net interest expense on net defined benefit pension scheme liability	0.1	0.1
Total amounts charged to the Income Statement	0.2	0.3

	2016 £m	2015 £m
Amounts recognised in OCI		
Actuarial loss/(gain) due to liability experience	0.4	(0.5)
Actuarial loss/(gain) due to liability assumption changes	13.1	(2.1)
Actuarial loss/(gain) arising during the period	13.5	(2.6)
Return on scheme assets (greater)/less than discount rate	(7.4)	1.0
Remeasurement effects recognised in OCI	6.1	(1.6)

	2016 £m	2015 £m
Defined benefit pension scheme cost		
Administration costs incurred during the period	0.2	0.3
Past service gains	(0.1)	(0.1)
Net interest expense on net defined benefit pension scheme liability	0.1	0.1
Remeasurement effects recognised in OCI	6.1	(1.6)
Total defined benefit pension scheme cost	6.3	(1.3)

Section 5 – Other Supporting Notes

5.3 Share-based payments

Group employees participate in a number of employee incentive schemes including a Sharesave Scheme, a Long Term Incentive Plan and a Deferred Bonus Plan.

This note explains the accounting policy governing share-based payments and the impact of various share schemes operated by the Group.

Accounting policies

Share-based payments

The Group operates a number of share-based incentive schemes. The fair value of the equity-settled employee share option grants is calculated at grant date and charged to the Income Statement over the vesting period of the schemes, with a corresponding adjustment to equity. The value of the charge is adjusted to reflect expected and actual levels of options that will vest, except where forfeiture arises from share prices not achieving the threshold for vesting.

The fair values of options are calculated using Black-Scholes or Monte Carlo simulation models. Vesting conditions are limited to non-market based conditions such as service conditions and performance conditions (adjusted earnings per share targets).

Any potential employer's Social Security liability on options granted is calculated based on the intrinsic value of the options and charged to the Income Statement over the vesting period of the schemes.

Exercises of share options granted to employees can be satisfied by market purchase or issue of new shares. Shares purchased in the market are held in the Company's Employee Benefit Trust.

A description of each type of share-based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement, such as vesting requirements, the maximum term of options granted, and the method of settlement (for example whether in cash or equity) is set out in the Remuneration Report.

Share-based payments expense

The amount recognised in the Income Statement for share-based payment transactions with employees for the year ended 31 December 2016 was £1.9 million (2015: £1.1 million), of which £0.3 million (2015: £nil) related to employers' tax liability.

The outstanding employers' tax liability recognised in the Balance Sheet for UK awards was £0.3 million (2015: £nil).

Share options outstanding at the end of the period

Options outstanding under the 2002 UK Sharesave Scheme, 2002 International Sharesave Plan, 2011 UK Sharesave Scheme and 2011 International Sharesave Plan as at 31 December 2016, together with their exercise prices and vesting periods, are as follows:

	Number outstanding (thousands)	Weighted average exercise price (£)	Weighted average remaining contractual life (years)
Range of Exercise Prices			
£4.51 - £5.00	678	4.88	3
£5.01 - £5.50	352	5.18	2
Total	1,030	4.98	2

Movements in these share option plans were as follows:

	Sharesave (thousands)	Weighted average Exercise Price (£)
Awards at 31 December 2014	737	5.05
Exercised during 2015	(172)	5.30
Lapsed during 2015	(82)	5.09
Granted during 2015	501	5.00
Awards at 31 December 2015	984	4.98
Exercised during 2016	(238)	5.03
Lapsed during 2016	(131)	5.00
Granted during 2016	415	5.02
Awards at 31 December 2016	1,030	4.98
Awards exercisable at 31 December 2016	9	5.02

The weighted average share price at the date of exercise for share options exercised during the year was £5.99 (2015: £6.22).

Arrangement	2011 International Sharesave Plan 2 Year	2011 UK and International Sharesave Scheme 3 Year	2011 UK and International Sharesave Scheme 5 Year	2014 Long Term Incentive Plan	2014 Deferred Bonus Plan
Nature of arrangement	"Save as you earn scheme"	"Save as you earn scheme"	"Save as you earn scheme"	Share award plan	Share award plan
Date of grant	27 Sep 2016	27 Sep 2016	27 Sep 2016	1 March 2016	11 April 2016
Number of instruments granted (thousands)	223	179	13	571	14
Exercise price	£5.16	£4.85	£4.85	n/a	n/a
Share price at date of grant	£5.92	£5.92	£5.92	£5.35	£5.88
Contractual life (years)	2.3	3.6	5.6	n/a	n/a
Expected option life (years)	2.1	3.3	5.3	n/a	n/a
Vesting Conditions	2 year service period and savings requirement	3 year service period and savings requirement	5 year service period and savings requirement	Relative TSR performance against comparator group and adjusted EPS growth	3 year service period
Settlement	Shares	Shares	Shares	Shares	Shares
Expected volatility ⁽¹⁾	23.0%	23.0%	23.0%	22.6%	-
Risk free interest rate	0.03%	0.06%	0.20%	n/a	n/a
Expected dividend yield	4.00%	4.00%	4.00%	n/a	n/a
Expected departures (per annum from grant date)	5%	5%	5%	10%	n/a
Expected outcome of non-market based related performance condition	n/a	n/a	n/a	100%	n/a
Fair value per granted instrument determined at the grant date	£0.85	£1.02	£1.00	£5.35/£2.32 ⁽²⁾	£5.88
Valuation model	Black-Scholes	Black-Scholes	Black-Scholes	Monte Carlo ⁽³⁾	n/a

⁽¹⁾ The expected volatility is based on historical volatility determined by the analysis of daily share prices over a period commensurate with the expected lifetime of the award and ending on the date of grant of the award. Due to significant fluctuations in Vitec's share price during the year a uniform rate has been used for all the Sharesave options as a reasonable estimate of volatility going forward.

⁽²⁾ The first figure represents fair value of awards subject to adjusted EPS growth criteria and the second figure represents fair value of awards subject to TSR criteria.

⁽³⁾ For the 2014 LTIP, a Monte Carlo simulation has been used. Under this valuation method, the share price for Vitec is projected at the end of the performance period as the TSR for Vitec and the companies in the comparator group. Based on these projections, the number of awards that will vest is determined. Thousands of simulations are run and the fair value of the award is calculated as the product of the vesting probability and the share price at the date of grant.

Section 5 – Other Supporting Notes

5.4 Leases

Operating leases primarily relate to the Group's properties, which principally comprise offices, warehouses and factory facilities. None of the leases include contingent rentals.

Accounting policies

Leases

Operating leases are those which do not transfer substantially all the risks and rewards of ownership to the lessee, the rentals of which are charged to the Income Statement on a straight line basis over the lease term.

	Land and buildings £m	Other £m	Total 2016 £m	Land and buildings £m	Other £m	Total 2015 £m
Total future minimum lease payments under non-cancellable operating leases						
Expiring within one year	5.1	0.4	5.5	5.5	0.1	5.6
Expiring within two to five years	11.7	1.0	12.7	10.1	0.7	10.8
Expiring after five years	1.8	-	1.8	1.1	-	1.1
	18.6	1.4	20.0	16.7	0.8	17.5

During the year £5.0 million (2015: £4.5 million) was recognised in the Income Statement in respect of operating lease payments.

5.5 Related party transactions

A related party relationship is based on the ability of one party to control or significantly influence the other.

The Group has identified the Directors, the Vitec Group Pension Scheme and members of the Operations Executive as related parties to the Company under IAS 24, "Related Party Disclosures".

Transactions with key management personnel

Details of Directors' remuneration along with their pension, share incentive, bonus arrangements and holdings of the Company's shares are shown in detail in the Remuneration Report.

The compensation of the ten (2015: six) members of the Operations Executive during the year, including the Executive Directors, is shown in the table below⁽¹⁾:

	2016 £m	2015 £m
Salaries	1.7	1.5
Performance-related bonuses	1.5	0.4
Share-based payment charge ⁽²⁾	0.6	0.4
Other short-term employee benefits	0.2	0.1
Post employment benefits	0.3	0.2

⁽¹⁾ Five members were appointed to the Operations Executive on 1 October 2016. The table includes their compensation for three months of 2016 only.

⁽²⁾ IFRS 2 charge recognised in the Income Statement for share-based payment transactions with members of the Operations Executive.

5.6 Group investments

The Group's subsidiaries at 31 December 2016 are listed below. All subsidiaries are 100% owned within the Group.

Company	County of incorporation	Issued securities
ALC Broadcast Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Anton/Bauer Europe B.V.	Netherlands ⁽²⁾	Ordinary shares of €1 each
Autocue Limited	England & Wales ⁽¹⁾	Ordinary share of £1 each
Autocue LLC	United States ⁽³⁾	Membership units of NPV
Autoscript Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Bexel Global Broadcast Solutions Limited	England & Wales ⁽¹⁾	Ordinary share of £1 each
Bogen Imaging UK Limited	England & Wales ⁽¹⁾	Ordinary share of £1 each
Camera Corps Ltd	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Camera Dynamics sarl	France ⁽⁴⁾	Ordinary shares of NPV
Chalfont Investments Inc.	United States ⁽⁵⁾	Ordinary shares of US\$0.01 each
Colorama Photodisplay Holdings Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Gitzo Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Gitzo S.A.	France ⁽⁶⁾	Ordinary shares of NPV
Haigh-Farr, Inc.	United States ⁽⁷⁾	Ordinary shares of US\$1 each
Henry (Holdings) Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Kata UK Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Kata Vitec P Limited	Israel ⁽⁸⁾	Ordinary shares of ILS1 each
Lastolite Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
LCB Beteiligungs GmbH	Germany ⁽⁹⁾	Ordinary shares of €25,000 each
Lino Manfrotto & Co Spa	Italy ⁽¹⁰⁾	Ordinary shares of €5,556 each
Litepanels Ltd	England & Wales ⁽¹⁾	Ordinary shares of US\$1 each
Manfrotto Bags Ltd	Israel ⁽⁸⁾	Ordinary shares of ILS1 each
Manfrotto Distribution Benelux B.V.	Netherlands ⁽¹¹⁾	Ordinary shares of €454 each
Manfrotto Distribution GmbH	Germany ⁽¹²⁾	Shares of €25,000 each
Manfrotto Distribution HK Limited	Hong Kong ⁽¹³⁾	Shares of HKD1 each
Manfrotto Distribution Inc.	United States ⁽¹⁴⁾	Ordinary shares of NPV
Manfrotto Distribution KK	Japan ⁽¹⁵⁾	Shares of JPY1 each
Manfrotto Distribution Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Manfrotto Distribution SAS	France ⁽⁶⁾	Ordinary shares of €16 each
Manfrotto Distribution Shanghai Limited	China ⁽¹⁶⁾	Ordinary shares of US\$1 each
Manfrotto UK Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Mount Olive 2016, LLC	United States ⁽¹⁷⁾	Membership units of NPV
Offhollywood, LLC	United States ⁽¹⁸⁾	Membership units of NPV
Palmer Dollar Finance	England & Wales ⁽¹⁾	Ordinary shares of US\$1 each
Palmer Dollar Finance Ireland Investment DAC	Ireland ⁽¹⁹⁾	Ordinary shares of US\$1 each
Palmer Dollar Finance Luxembourg Investment Sarl	Luxembourg ⁽²⁰⁾	Ordinary share of US\$1,000 each
Palmer Dollar Finance Netherlands B.V.	Netherlands ⁽²¹⁾	Ordinary shares of €1 each
Palmer Euro Finance Ireland Investment DAC	Ireland ⁽¹⁹⁾	Ordinary shares of €1 each

The registered address is as follows:

- ⁽¹⁾ Bridge House, Heron Square, Richmond, TW9 1EN, United Kingdom
⁽²⁾ Sint Lambertuslaan 9, 6212 AR Maastricht, Netherlands
⁽³⁾ 124 West 30th Street, Suite 312, New York, NY 10001, United States
⁽⁴⁾ 171 avenue des Grésillons, 92635 Gennevilliers cedex, France
⁽⁵⁾ Corporation Service Company, 2711 Centerville Road - Suite 400, Wilmington, DE 19808, United States
⁽⁶⁾ Parc Tertiaire Siliic, 44 Rue De La Couture, 94150 Rungis, France
⁽⁷⁾ 40 Spring Hill Drive, Bedford, NH 03110, United States
⁽⁸⁾ Abraham & Bachar cp., Keren Hayesod 36, Jerusalem, Israel
⁽⁹⁾ Parking 29, 85748 Garching, Germany
⁽¹⁰⁾ Via Valsugana 100, 36022 Cassola VI, Italy
⁽¹¹⁾ J.P. Poelstraat 5, 1483 GC De Rijp, Netherlands
⁽¹²⁾ Ferdinand-Porsche-Strasse 19, 41149 Cologne, Germany
⁽¹³⁾ Unit No.03, 3/F, Tower 3, Phase 1, Enterprise Square, No.9 Sheung Yuet Road, Kowloon Bay, Hong Kong
⁽¹⁴⁾ Corporation Service Company, 830 Bear Tavern Road, West Trenton, NJ 08628, United States
⁽¹⁵⁾ Shibakoen 3-chome Bldg, 1F, 3-1-38 Shibakoen, Mikato-ku, Tokyo 105-0011, Japan
⁽¹⁶⁾ Room 2704-05, Shanghai Mart Tower, No.2299, Yan'an Road (West), Shanghai, 200336, China
⁽¹⁷⁾ Corporation Service Company, 2595 Interstate Drive - Suite 103, Harrisburg, PA 17110, United States

Company	County of incorporation	Issued securities
Palmer Euro Finance Luxembourg Investment Sarl	Luxembourg ⁽²⁰⁾	Ordinary shares of €1,000 each
Palmer Euro Finance Netherlands B.V.	Netherlands ⁽²¹⁾	Ordinary shares of €1 each
Palmer Finance	England & Wales ⁽¹⁾	Ordinary shares of €1 each
Palmer Finance Netherlands Cooperatief W.A.	Netherlands ⁽²¹⁾	Membership shares of €1 each
Palmer Yen Finance	England & Wales ⁽¹⁾	Ordinary shares of JPY100 each
Panlight Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Petrol Bags Limited	Israel ⁽²²⁾	Ordinary shares of ILS1 each
Petrol Bags Limited	England & Wales ⁽¹⁾	Ordinary share of £1 each
Radamec Broadcast Systems Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
RECO Srl	Italy ⁽¹⁰⁾	Shares of NPV
Sachtler Limited	England & Wales ⁽¹⁾	Ordinary share of £1 each
SmallHD LLC	United States ⁽²³⁾	Membership units of NPV
Teradek Ukraine LLC	Ukraine ⁽²⁴⁾	Membership interests of NPV
Teradek, LLC	United States ⁽²⁵⁾	Membership units of NPV
The Camera Store Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Vinten Broadcast Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Vinten Instruments Limited	England & Wales ⁽¹⁾	Ordinary shares of £0.01 each
Vitec Brasil Comercio Importacao e Intermediacao de Tecnologias, Ltda	Brazil ⁽²⁶⁾	Shares of BRL1 each
Vitec Broadcast Services Inc.	United States ⁽⁵⁾	Ordinary shares of US\$0.01 each
Vitec Group Holdings Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Vitec Group Pensions Trust Company (UK) Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Vitec Group US Holdings, Inc.	United States ⁽⁵⁾	Ordinary shares of US\$0.01 each
Vitec Holdings Limited	Guernsey ⁽²⁷⁾	Ordinary shares of £0.10 each
Vitec Investments Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Vitec UK Finance Limited	England & Wales ⁽¹⁾	Ordinary shares of US\$1 each
Vitec UK Investments Limited	England & Wales ⁽¹⁾	Ordinary share of £1 each
Vitec Videocom GmbH	Germany ⁽⁹⁾	Ordinary share of DEM50,000 each
Vitec Videocom KK	Japan ⁽¹⁵⁾	Ordinary shares of JPY1,000 each
Vitec Videocom Limitada	Costa Rica ⁽²⁸⁾	Shares of CRC50 each
Vitec Videocom Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Vitec Videocom Pte Limited	Singapore ⁽²⁹⁾	Ordinary shares of SGD1 each
Vitec Videocom, Inc	United States ⁽⁵⁾	Ordinary shares of US\$0.01 each
Vitecgroup Italia spa	Italy ⁽³⁰⁾	Ordinary shares of €1,000 each
Wheatfield Kingston Finance (UK)	England & Wales ⁽¹⁾	Ordinary share of £1 each
Wooden Camera, Inc.	United States ⁽³¹⁾	Ordinary shares of NPV
Wooden Camera Retail, Inc.	United States ⁽³¹⁾	Ordinary shares of NPV

⁽¹⁸⁾ Corporation Service Center, 2711 Centerville Road - Suite 440, Wilmington, New Castle County DE 19808, United States

⁽¹⁹⁾ Regus Dublin Airport, Tasc Building, Corballis Road North, Dublin Airport, Sword, Dublin, Ireland

⁽²⁰⁾ 9B Boulevard du Prince Henri, L-1724, Grand Duchy of Luxembourg, Luxembourg

⁽²¹⁾ Kerkrade, Netherlands

⁽²²⁾ 3 Hasolelim Street, 67897, Tel Aviv, Israel

⁽²³⁾ Corporation Service Company, 327 Hillsborough Street, Raleigh, NC 27603, United States

⁽²⁴⁾ Per. Nechipurenko 4, Suite 15, Odessa, 65045, Ukraine

⁽²⁵⁾ CSC-Lawyers Incorporating Service, 2710 Gateway Oaks Drive - Suite 150N, Sacramento, CA 95833-3505, United States

⁽²⁶⁾ Robertson Emerenciano de Emerenciano, Baggio & Associados, Avenida Paulista, 1842 - 17º Andar, Edificio Torre Norte, Brasil, CEP 01310-200

⁽²⁷⁾ Glatigny Court, Glatigny Esplanade, St. Peter Port, GY1 1WR, Guernsey

⁽²⁸⁾ Parque Industrial de Cartago, Edificio Numero 68, Cartago, Costa Rica

⁽²⁹⁾ 6 New Industrial Road, #02-02 Hoe Huat Industrial Building, 536199, Singapore

⁽³⁰⁾ Via Monte Rosa, 91, 20149 Milano, Italy

⁽³¹⁾ 1826 West Commerce Street, Dallas TX 75208, United States

5.7 Subsequent events

There were no events after the Balance Sheet date that require disclosure.

Company Balance Sheet

As at 31 December 2016

	Notes	2016 £m	2015 £m
Fixed assets			
Intangible assets	f)	0.1	-
Property, plant and equipment (2015: includes £1.0 million held for sale)	g)	-	1.1
Investments in subsidiary undertakings	h)	454.0	443.8
		454.1	444.9
Current assets			
Debtors	i)	7.2	2.4
Cash at bank and in hand		6.4	9.5
		13.6	11.9
Liabilities falling due within one year - creditors		(52.8)	(8.6)
Net current (liabilities)/assets		(39.2)	3.3
Total assets less current liabilities		414.9	448.2
Liabilities falling due after one year			
Creditors	j)	(100.0)	(138.9)
Net assets		314.9	309.3
Capital and reserves			
Called up share capital	k)	9.0	8.9
Share premium account		15.4	14.3
Revaluation reserve		0.9	0.9
Other reserves	l)	55.3	55.3
Profit and loss account		234.3	229.9
Equity shareholders' funds		314.9	309.3

Approved by the Board of Directors on 20 February 2017 and signed on its behalf:

Paul Hayes

Group Finance Director

The Vitec Group plc

Registered in England and Wales no. 227691

Company Statement of Changes in Equity

	Share capital £m	Share premium £m	Revaluation reserve £m	Other reserves £m	Profit and loss account £m	Total equity £m
Balance at 1 January 2016	8.9	14.3	0.9	55.3	229.9	309.3
Total comprehensive income for the year						
Profit for the year	-	-	-	-	13.9	13.9
Contributions by and distributions to owners						
Dividends paid	-	-	-	-	(11.1)	(11.1)
Share-based payment charge, net of tax	-	-	-	-	1.6	1.6
New shares issued	0.1	1.1	-	-	-	1.2
Balance at 31 December 2016	9.0	15.4	0.9	55.3	234.3	314.9
Balance at 1 January 2015	8.9	13.4	0.9	55.3	226.5	305.0
Total comprehensive income for the year						
Profit for the year	-	-	-	-	12.9	12.9
Contributions by and distributions to owners						
Dividends paid	-	-	-	-	(10.7)	(10.7)
Share-based payment charge, net of tax	-	-	-	-	1.2	1.2
New shares issued	-	0.9	-	-	-	0.9
Balance at 31 December 2015	8.9	14.3	0.9	55.3	229.9	309.3

Notes to the Company Financial Statements

a) Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2014/2015 Cycle) issued in July 2014 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006, and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

Under Section 408(3) of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

b) Exemptions taken by the Company under FRS 101

The Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow statement and related notes
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets
- Disclosures in respect of transactions with wholly owned subsidiaries
- Disclosures in respect of capital management
- The effects of new but not yet effective IFRS
- Disclosures in respect of the compensation of Key Management Personnel

As the consolidated financial statements of The Vitec Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 "Share-Based Payments" in respect of group settled share-based payments;
- Certain disclosures required by IFRS 13 "Fair Value Measurement" and the disclosures required by IFRS 7 "Financial Instruments: Disclosures".

c) Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to these financial statements.

Property, plant and equipment

Depreciation is provided to write off the cost of property, plant and equipment, less estimated residual value, on a straight-line basis over their estimated useful lives. Fixed assets are depreciated as follows:

Leasehold improvements	over the remaining period of the lease
Equipment, fixtures & fittings	three to ten years

Intangible assets

The cost of acquiring software (including associated implementation and development costs where applicable) is classified as an intangible asset. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Software expenditure is amortised over its estimated useful life of between three and five years, and is stated at cost less accumulated amortisation and impairment losses.

Investments in subsidiary undertakings

Investments in subsidiaries are stated at historical cost, less provision for any impairment in value.

Pensions

The Company participates in the Group's defined benefit scheme operated in the UK, which was closed to future benefit accrual with effect from 31 July 2010. All UK employees of the Company are now offered membership of the defined contribution scheme. The assets of the schemes are held separately from those of the Company. The Company has a very small proportion of the scheme's total members. As such, the Group has adopted a policy to recognise the full net pension cost, and hence pension deficit, in its subsidiary Vitec Videocom Limited's financial statements prepared in accordance with FRS 101.

Details in respect of the UK defined benefit pension scheme are disclosed in note 5.2 "Pensions" of the Group's consolidated financial statements.

Dividends receivable

Dividends received and receivable are credited to the Company's Income Statement.

Other significant accounting policies are consistent with the Group's consolidated financial statements and below are references where they are disclosed:

Foreign currencies	Section 1 - Basis of preparation
Debtors and Creditors	3.3 "Working capital"
Cash and cash equivalents	4.1 "Net debt"
Provisions	3.5 "Provisions"
Derivative financial instruments and hedging activities	4.2 "Financial instruments"
Bank loans	4.1 "Net debt"
Leases	5.4 "Leases"
Share-based payments	5.3 "Share-based payments"
Share capital and reserves	4.3 "Share capital and reserves"

d) Employees

	2016 £m	2015 £m
Employee costs comprise:		
Wages and salaries	4.0	3.4
Employers' social security costs	0.5	0.4
Employers' pension costs - defined contribution schemes	0.1	0.1
Share-based payment charge	0.5	0.4
	5.1	4.3

	2016	2015
Average number of employees during the year	21	22

Further details of Directors' remuneration and share incentives are disclosed in the Remuneration Report.

e) Audit fees

The details regarding the remuneration of the Company's auditor are included in note 2.1 "Profit before tax" of the Group's consolidated financial statements under "Fees payable to the Company's auditor for the audit of the Company's annual financial statements".

f) Intangible assets

	Capitalised software £m
Cost	
At 1 January 2016	0.1
Additions	0.1
At 31 December 2016	0.2
Accumulated amortisation	
At 1 January 2016 and 31 December 2016	0.1
Net book value	
At 31 December 2015	-
At 31 December 2016	0.1

Notes to the Company Financial Statements

g) Property, plant and equipment

	Total £m	Freehold land and buildings £m	Leasehold buildings £m
Cost			
At 1 January 2016	3.1	2.6	0.5
Disposals	(2.6)	(2.6)	-
At 31 December 2016	0.5	-	0.5
Accumulated depreciation			
At 1 January 2016	2.0	1.6	0.4
Charge for the year	0.1	-	0.1
Disposals	(1.6)	(1.6)	-
At 31 December 2016	0.5	-	0.5
Net book value			
At 31 December 2015	1.1	1.0	0.1
At 31 December 2016	-	-	-

	2016 £m	2015 £m
Land and buildings		
Total commitments under non-cancellable operating leases expiring:		
Within one year	0.2	0.1
In two to five years	0.7	0.8
After five years	-	0.1
	0.9	1.0

During the year £0.2 million was recognised as an expense in the profit and loss account in respect of operating lease payments (2015: £0.2 million).

h) Investments in subsidiary undertakings

	Total £m	Shares in Group undertakings £m	Loans to Group undertakings £m
Cost			
At 1 January 2016	444.4	362.8	81.6
Additions	198.5	190.7	7.8
At 31 December 2016	642.9	553.5	89.4
Provisions			
At 1 January 2016	0.6	0.6	-
Impairment losses	188.3	188.3	-
At 31 December 2016	188.9	188.9	-
Net book value			
At 1 January 2016	443.8	362.2	81.6
At 31 December 2016	454.0	364.6	89.4

The additions and impairment losses in investments during the year reflect the Company's restructuring of certain subsidiary holding and financing companies.

The Company's investments in subsidiaries as at 31 December 2016 are included in note 5.6 "Group investments" of the Group's consolidated financial statements.

i) Debtors

	2016 £m	2015 £m
Amount falling due within one year		
Other debtors	1.4	0.7
Derivative financial instruments - forward exchange contracts	5.5	1.6
Deferred tax assets	0.3	0.1
	7.2	2.4

j) Creditors

	2016 £m	2015 £m
Amounts falling due within one year		
Bank loans (unsecured)	40.5	-
Amounts owed to subsidiary undertakings	3.5	5.1
Derivative financial instruments - forward exchange contracts	5.5	1.6
Corporation tax	0.2	0.1
Other creditors	-	0.4
Accruals and deferred income	3.1	1.4
	52.8	8.6
Amount falling due after more than one year		
Bank loans (unsecured)	48.9	87.5
Amounts owed to subsidiary undertaking	51.1	51.4
	100.0	138.9

Contingent liabilities

There are no contingent liabilities at 31 December 2016 (2015: £nil).

k) Called up share capital

Disclosure in respect of the Company's share capital is provided in note 4.3 "Share capital" of the Group's consolidated financial statements.

Options over shares of the Company have been granted to employees of the Company under various plans. Details of the terms and conditions of each share-based payment plan are given in the Remuneration Report on pages 64 to 85 and note 5.3 "Share-based payments" of the Group's consolidated financial statements.

l) Other Reserves

Other reserves of £55.3 million represent a merger reserve of £9.7 million; the capitalisation of the share premium account: £22.7 million in 1989 and £37.3 million in 1995 less £16.0 million of share repurchases in 1995; and a capital redemption reserve of £1.6 million created on the repurchase and subsequent cancellation of 885 thousand ordinary shares by the Company in 1999.

m) Related party transactions

The Company has identified a related party relationship with its Board, the Vitec Group Pension Scheme and members of the Operations Executive as disclosed in the Remuneration Report and note 5.5 "Related party transactions" of the Group's consolidated financial statements. There are no other related party transactions to disclose.

Five Year Financial Summary

As at 31 December 2016

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Revenue	376.2	317.8	309.6	315.4	345.3
Operating profit ⁽¹⁾	41.5	35.4	38.8	39.5	39.3
Net interest on interest-bearing loans and borrowings	(4.2)	(4.0)	(3.6)	(3.6)	(3.2)
Other financial income/(expense)	0.2	0.1	0.1	(0.3)	0.1
Profit before tax ⁽²⁾	37.5	31.5	35.3	35.6	36.2
Cash generated from operating activities	64.8	41.7	42.0	52.4	38.4
Interest paid	(5.2)	(4.0)	(3.3)	(3.6)	(3.1)
Tax paid	(7.2)	(5.6)	(3.5)	(8.5)	(10.8)
Net cash from operating activities	52.4	32.1	35.2	40.3	24.5
Net capital expenditure on property, plant and equipment, software and development costs	(7.8)	(15.9)	(17.0)	(18.9)	(13.7)
Free cash flow	44.6	16.2	18.2	21.4	10.8
Capital employed					
Intangible assets	99.0	90.7	87.1	76.3	68.2
Property, plant and equipment	54.0	53.8	54.8	53.5	48.6
Other net assets	37.7	45.0	35.2	39.2	48.3
	190.7	189.5	177.1	169.0	165.1
Financed by					
Shareholders' funds - equity	139.8	126.3	118.6	120.2	114.6
Net debt	75.1	76.3	70.9	61.5	63.7
Deferred tax	(24.2)	(13.1)	(12.4)	(12.7)	(13.2)
	190.7	189.5	177.1	169.0	165.1
Statistics					
Operating profit (%) ⁽¹⁾	11.0	11.1	12.5	12.5	11.4
Effective tax rate (%) ⁽¹⁾	27.2	30.4	30.0	30.9	32.9
Adjusted basic earnings per share (p) ⁽³⁾	61.3	49.4	55.9	56.1	55.8
Basic earnings per share (p)	20.2	29.3	29.4	31.9	13.6
Dividends per share (p)	27.2	24.6	24.0	23.0	22.0
Year end mid-market share price (p)	648.5	602.5	594.0	639.0	635.3

⁽¹⁾ Before restructuring costs, charges associated with acquisition of businesses and impairment of goodwill.

⁽²⁾ Before restructuring costs, charges associated with acquisition of businesses, impairment of goodwill, and disposal of business.

⁽³⁾ Differences between adjusted basic and basic earnings per share arise from restructuring costs, charges associated with acquisition of businesses, impairment of goodwill, disposal of business and related tax in the years in question.

Shareholder Information and Financial Calendar

Shareholder Information

The Investors section of the Group website, www.vitecgroup.com, contains detailed information on news, key financial information, annual reports, financial calendar, share price information, dividends and key contact details. The following is a summary and readers are encouraged to view the website for more detailed information.

Shareholder enquiries

For all enquiries about your shareholding please contact our registrar:

Capita Asset Services ("Capita")	
Website	www.capitashareportal.com
Email	shareholderenquiries@capita.co.uk
Address	The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Phone from UK	0871 664 0300*

* Calls cost 12p per minute plus your phone company's access charge. If you are outside the UK, please call +44 371 664 0300. Calls outside the UK will be charged at the applicable international rate. Capita can be contacted between 9.00am and 5.30pm, Monday to Friday (excluding public holidays in England and Wales).

Dividend Reinvestment Plan

The Company offers a Dividend Reinvestment Plan that enables shareholders to reinvest cash dividends into additional shares in the Company. Application forms can be obtained from Capita. You must arrange for your Dividend Reinvestment Plan application form to be received by Capita no later than Tuesday, 25 April 2017 to join the Plan for the final dividend for the year ended 31 December 2016.

International dividend payment service

Overseas shareholders can receive their dividends in a local currency instead of Sterling and can find out more about this by visiting <http://international.capitaregistrars.com>. Any election to receive dividends in local currency in respect of the final dividend for the year ended 31 December 2016 must be received by Capita no later than the record date for the final dividend, Friday, 21 April 2017.

Share price information

The closing mid-market price of a share of The Vitec Group plc on 31 December 2016 was £6.48. During the year, the share price fluctuated between £4.85 and £6.49. The Company's share price is available on our website with a 15-minute delay, and from the Financial Times website, www.ft.com, with a similar delay.

Share scams

Shareholders should be aware that fraudsters may try and use high pressure tactics to lure investors into share scams. Information on share scams can be found on the Financial Conduct Authority's website, www.fca.org.uk/consumers/share-fraud-boiler-room-scams, or via their consumer helpline: 0800 111 6768.

Financial calendar

Ex-dividend date for 2016 final dividend	Thursday, 20 April 2017
Record date for 2016 final dividend	Friday, 21 April 2017
Annual General Meeting	Wednesday, 17 May 2017 (9.30am)
2016 final dividend payment date	Friday, 19 May 2017
Announcement of 2017 half year results	Thursday, 10 August 2017
Proposed 2017 interim dividend payment date	October 2017

Analysis of shareholdings as at 31 December 2016

Shares held	Number of holders	% of holders	Number of shares	% of shares
Up to 1,000	442	52.6	159,135	0.4
1,001 to 5,000	235	27.9	560,934	1.2
5,001 to 10,000	50	5.9	377,201	0.8
10,001 to 50,000	62	7.4	1,559,766	3.5
50,001 to 100,000	15	1.8	1,069,576	2.4
100,001 and over	37	4.4	41,005,325	91.7
	841	100	44,731,937	100
Institutions and companies	239	28.4	42,675,750	95.4
Individuals including Directors and their families	602	71.6	2,056,187	4.6
	841	100	44,731,937	100





Capture the moment™

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